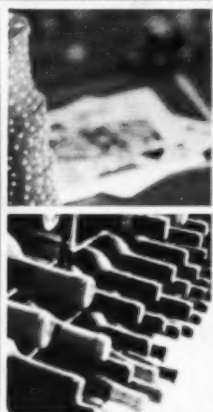
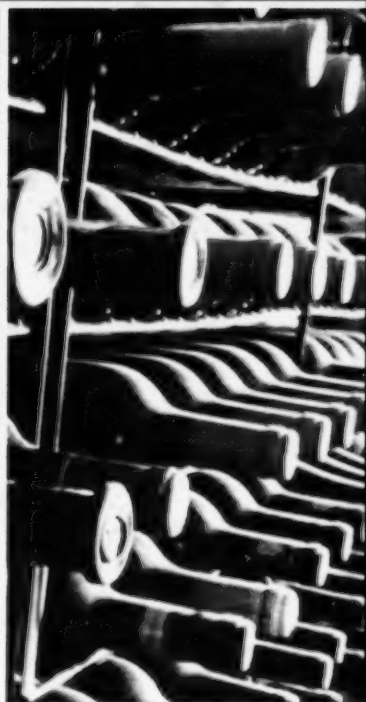
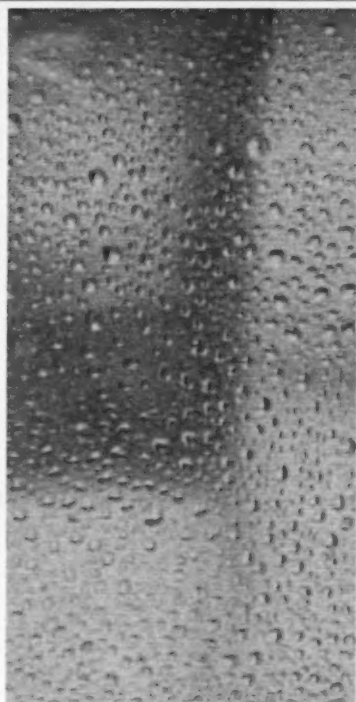


Ensuring Gaming &
Liquor Sustainability
for Alberta



Annual REPORT 2011/2012



In all its activities, the AGLC weighs social responsibility with Albertans' right to personal choice and the economic benefits generated by liquor and gaming. Finding a balance and acting with integrity is how we achieve our goals and shape the gaming and liquor businesses of the future.

OUR VISION

Ensuring gaming and liquor sustainability for Alberta

OUR MISSION

Providing and protecting Albertans' choices

WE VALUE

FORESIGHT

We are aware of and take a proactive approach to shifts in social, political, economic and environmental trends.

INTEGRITY

We are open and transparent and act with impartiality to uphold the trust of all our stakeholders.

ACCOUNTABILITY

We hold ourselves accountable for our decisions.

RESPECT

We value our colleagues, stakeholders and Albertans and our shared responsibilities to society and the environment.

As a Crown commercial enterprise, we are an agent of the Government of Alberta and operate under the *Gaming and Liquor Act*.

Our role is to administer the *Gaming and Liquor Act*, Regulation and related policy. We are responsible for regulating Alberta's charitable gaming activities and conducting and managing provincial gaming activities. We also control the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta.

On March 31, 2012, the Minister of Finance was responsible for the *Gaming and Liquor Act*. The AGLC is comprised of:

- a Board consisting of seven public members and the Chief Executive Officer. All members are appointed by government. Through the chairperson, the Board reports to the Minister.
- seven divisions that manage the day-to-day operations of the organization. The divisions report to the Board through the Chief Executive Officer.

STRATEGIC DIRECTIONS

Strategic directions outline a course of action to assist the AGLC in achieving its goals. Each year, the Board and Executive Team jointly review and revise these strategic directions to ensure they remain relevant in light of current economic, industry and environmental trends. These were the AGLC's strategic objectives for 2011-14:

1. Implement a renewed model for how charities and communities benefit from the changing Alberta landscape.
2. Modernize and transform the gaming experience to potentially broaden the player base and grow revenues in a sustainable way.
3. Deliver services to AGLC retailers, licensees, registrants and employees through the most appropriate delivery channel (with preference given to web-based service delivery).
4. Commit to infrastructure modernization and systems innovations for Corporate Systems (information management, liquor, HR/payroll system, financial system, etc.) to ensure accountability to Albertans and to protect the revenue of the Government of Alberta and charities.
5. Maintain the AGLC's reputation of being approachable and consultative in considering options/workable solutions and for fostering a culture of moderation and environmental consciousness in the gaming and liquor industries.
6. Continue to develop a relationship between the Government of Alberta and the AGLC that reflects a corporate shareholder business model.
7. Continue to build a culture where employees are empowered to actively identify, lead and implement change.

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CHAIRPERSON'S MESSAGE

I am pleased to report that during the last fiscal year the Alberta Gaming and Liquor Commission (AGLC) earned more than \$2 billion in gaming and liquor revenue. This money will be used to support numerous community initiatives, as well as a number of programs and services for Albertans. In addition, Alberta charities earned almost \$314 million through charitable gaming activities.

Over the course of the year, the AGLC has met its mandate in ensuring the province's liquor and gaming industries operate effectively, with integrity and in a socially responsible manner.

During the year, the Board took an active oversight role in the gaming modernization project and continues to review gaming and liquor policies to make sure they are relevant in the current environment. Numerous handbook changes were made to modernize terminology and to clarify various aspects of the AGLC's regulatory function in regard to its gaming and liquor environments.

This year has seen many leadership changes. After nearly three decades of employment with the AGLC and its predecessor, the Alberta Liquor Control Board; Chief Executive Officer (CEO), Mr. Gerry McLennan, announced his retirement in November of 2011. During his years of service he made a tremendous contribution to the success of the AGLC. As CEO, Mr. McLennan provided outstanding leadership, supported many initiatives and worked hard to strengthen the AGLC's relationship with its stakeholders.

Mr. Bill Robinson, formerly Assistant Commissioner and Commanding Officer of the RCMP's "D" Division in Manitoba, replaces Mr. McLennan as CEO. Mr. Robinson has significant senior management experience, as well as a strong background and belief in stakeholder and community engagement. His past experience is expected to serve him well in his new role as CEO of the AGLC. I am confident that under Mr. Robinson's leadership, the AGLC will continue to achieve excellent business results and meet the expectations of stakeholders and Albertans.

The Board also saw changes in its membership. In 2011, it said goodbye to Mr. Al Evans and Mr. Sandy Dougall, both long serving members of the Board and to Mr. Ross Goldsworthy who had served on the Board since November 2007. It welcomed three new members: Mr. Bill Anhorn, Mr. Brent Shervey and Ms. Thorna Lawrence. These new Board members bring a wealth of experience from the public, private and not-for-profit sectors that will benefit the Board in its policy and oversight responsibilities.

The Board continues to strive towards excellence in governance. To that end it has a Memorandum of Understanding with the Minister to whom it reports, an up-to-date governance manual, a code of conduct, an evaluation process and this past year implemented a two-day orientation process for new Board members. As of October 2011 the AGLC began reporting to the Minister of Finance.

To strengthen the Board's monitoring and oversight functions, the Board restructured its sub-committees from four to three by combining its Audit and Finance Committees into one committee. The change enhances the committee's ability to monitor the AGLC's overall financial health, including ensuring appropriate financial controls are in place. The committee also took over the responsibility for the AGLC's annual report and budget. The Corporate Governance, Stakeholder and Strategic Planning Committee oversees the development of AGLC's strategic plan. It also monitors the AGLC and Board's relationship with the many stakeholder groups. The Human Resources Committee oversees Board corporate human resource matters.

In addition, the Board held 35 liquor and gaming related hearings during this time period. The relatively small number of licensees and registrants appearing before the Board demonstrates that the vast majority are in compliance with liquor and gaming legislation, regulation and policy.

The Board recognizes the strength of the AGLC team behind the excellent results outlined in this report. I would like to take this opportunity on my own behalf, and that of the Board, to thank the AGLC staff for their continued support and dedication to maintaining a high level of service.

I look forward to working with the new CEO to ensure the AGLC is well positioned to achieve its business goals and meet its responsibilities to the Government of Alberta and to all Albertans.

Original signed by

Marguerite J. Trussler
Chairperson of the Board

CHIEF EXECUTIVE OFFICER'S MESSAGE

2011-12 represents my last year as Chief Executive Officer (CEO) of the Alberta Gaming and Liquor Commission (AGLC). I am pleased to report on the accomplishments reflected in this 2011-12 Annual Report.

In 2011-12, the AGLC collected \$687 million in liquor revenue which was provided to the Government of Alberta to benefit the people of Alberta. In 2011-12, the AGLC also reported nearly \$1.5 billion in gaming revenue. The province's share of the net proceeds is placed in the Alberta Lottery Fund to support thousands of volunteer, public and community-based initiatives.

The AGLC also continued its commitment to ensuring the provision of gaming and liquor activities in a socially responsible way. In 2011-12, the Best Bar None program was expanded to Calgary. This voluntary program aims to reduce alcohol-related problems by raising the operating standards of licensed premises as well as building positive relationships between licensees, law enforcement, industry partners and community groups. Best Bar None was introduced in Edmonton in 2010 and this year marked its second successful anniversary.

The AGLC continued to support healthy gaming in 2011-12 by participating in joint initiatives like Alberta's fifth gambling awareness week, held in October 2011, and by supporting GamTalk, an online support forum for gamblers. The AGLC continued to offer its suite of SMART programs to educate staff in the gaming industry about their social responsibilities and duty of care obligations.

The 2011-12 year saw the AGLC continue its commitment to provide Albertans with a wide variety of gaming and liquor choices. This past year, Albertans could choose from over 16,447 liquor products available compared to 15,929 the previous year. On the gaming side, the AGLC began work on replacing the aging video lottery terminal network. The product will ultimately represent a more modern and healthy gaming experience.

In closing, I would like to extend my thanks to all AGLC staff. During my 27 years of service, I have always been proud of the dedication and loyalty our staff show towards our work and the people of Alberta. I know the AGLC will certainly continue to benefit from its employees' professionalism and knowledge in the coming years. I would also like to thank the Board of the AGLC for its dedication and continued advice and guidance. Working together, the Board and AGLC staff will ensure the AGLC continues to remain true to its vision and mission.

Original signed by

Gerry McLennan
Chief Executive Officer

CORPORATE GOVERNANCE

BOARD STRUCTURE

The Board of the AGLC is appointed by the Government of Alberta and is comprised of seven public members and the Chief Executive Officer. Through the Chairperson, the board reports to the Minister responsible for the *Gaming and Liquor Act*.

Section 12 of the *Gaming and Liquor Act* sets out the responsibilities of the Board. These responsibilities include:

- ensuring that the powers and duties of the organization are appropriately carried out;
- establishing the policies of the organization; and
- conducting hearings and making decisions respecting licences and registrations.

BOARD GOVERNANCE

In its governance of the AGLC, the Board has three major areas of responsibility.

- policy responsibilities;
- regulatory responsibilities, as exercised through Administrative Tribunals; and
- monitoring responsibilities.

Policy responsibilities

The Board plays a significant role in establishing policy and advising the Minister responsible for the *Gaming and Liquor Act* on policy matters. The Board's policy development is a collaborative process focusing on strategic planning and stakeholder consultation. The Board may receive policy direction from the Minister responsible for the AGLC and, in turn, provide policy recommendations to the Minister.

Regulatory responsibilities

The Board's regulatory responsibilities are prescribed by legislation. In its regulatory role, the Board functions as an administrative tribunal. Within the limits of its legislative jurisdiction, the Board conducts hearings, establishes and applies policies, and makes decisions on gaming and liquor licences and registrations.

When conducting hearings, the Board has the powers, privileges and immunities of a commissioner under the *Public Inquiries Act*. As a result, the Board may hold an inquiry into any matter related to the *Gaming and Liquor Act*.

Monitoring responsibilities

In its monitoring responsibilities, the Board is primarily concerned with ensuring that the AGLC performs its duties. The Board ensures that appropriate monitoring processes and control systems are in place and that the AGLC's financial reports are of high integrity. The primary vehicle for performing this function is the Board's Audit and Finance Committee.

In addition, the Board oversees and monitors the administration of the organization by the Chief Executive Officer (CEO). The CEO ensures that policies of the Board are implemented and advises and informs the Board on the operating affairs of the AGLC.

The Internal Audit office operates under a mandate approved by the Audit and Finance Committee. The independence of the Internal Audit office is assured as the Audit and Finance Committee has the responsibility for the hiring, compensation and performance reviews of the Director of Internal Audit. The Audit and Finance Committee also meets independently with the Office of the Auditor General for the Province of Alberta.

BOARD SUB-COMMITTEES

Three sub-committees assist the Board with its policy, regulatory, and monitoring responsibilities.

The **Audit and Finance Committee** is responsible for monitoring the AGLC's financial controls, accounting policies, financial reporting and disclosure, as well as organizational risk and mitigation processes. The committee approves the annual audit plan of the Internal Audit office and monitors the resulting reports. The committee reviews the quarterly financial reports and financial statements of the AGLC and the Alberta Lottery Fund (ALF). The committee meets regularly with the AGLC's external auditor, the Office of the Auditor General for the Province of Alberta, to review annual audit plans, internal controls and results of the audits. The committee is also responsible for monitoring the AGLC's budget and business plan to ensure that both reflect the policies, objectives and initiatives approved by the Board. The committee monitors the financial health of the AGLC and its performance and reviews and recommends approval of the AGLC's annual budget, which is approved by the Board.

The **Corporate Governance, Stakeholder and Strategic Planning Committee** is responsible for establishing, monitoring and reviewing the Board's corporate governance processes to ensure best practices. The committee is accountable for the Code of Conduct and Ethics, which guides Board members in making fair, effective, and impartial decisions. The committee establishes processes for monitoring the relationship of the AGLC and the Board with its many stakeholder groups and partners. The committee also leads the development of and approves the AGLC's strategic plan and related business processes.

The **Human Resources Committee** is responsible for overseeing Board corporate human resource matters. The committee ensures that the duties of the Chief Executive Officer and Board staff are appropriately carried out. It oversees the Board's competency matrix and monitors the Board member recruitment and evaluation process. The committee also oversees Board staff evaluations.

BOARD MEMBER BIOGRAPHIES

HON. MARGUERITE TRUSSLER, CHAIRPERSON



The Hon. **Marguerite Trussler** was appointed Chairperson of the Board on December 12, 2007. Formerly a Justice of the Court of Queen's Bench of Alberta, Ms. Trussler has extensive board experience, having served as Chairperson of the Court of Queen's Bench Family Law Committee, a member of the Editorial Board, Canadian Bar Review, President of the Canadian Chapter of the International Association of Women Judges, and a member of the Alberta Cancer Board. With both her professional and community activities, Ms. Trussler demonstrates a strong commitment to community and family. She currently serves as President of the Victoria School Foundation for the Arts and is a member of *deNovo* players.

WILLIAM J. (BILL) ANHORN



William J. (Bill) Anhorn was appointed to the Board in October 2011. He is a member of the Board's Audit and Finance Committee and the Human Resources Committee. Having recently retired after practicing law for over 35 years, Mr. Anhorn is an inactive member of the Law Society of Alberta. He is also active in the community. He is a former member of the Kinsmen Club, and has served on the Medicine Hat Police Commission for nine years including three years as chair and past president of the Medicine Hat Bar Association. Mr. Anhorn is a former chair and current board member of the Servus Credit Union. Mr. Anhorn is a graduate of the Institute of Corporate Directors Program and holds the ICD designation.

BILL CLARK



Bill Clark was appointed to the Board in July 2010. He is a member of the Audit and Finance Committee and the Corporate Governance, Stakeholder and Strategic Planning Committee. Mr. Clark has extensive management and information systems experience in both the public and private sectors and has specialized in business development, productivity improvement and strategic leadership for over 25 years. Mr. Clark has held executive level positions with both the Alberta and Saskatchewan governments and has been a senior executive of both national and international consulting firms. A certified management consultant and certified computing professional, Mr. Clark has served as an executive board member for the Institute of Management Consultants of Alberta, the National Certification Board of the Canadian Association of Management Consultants and the Edmonton Opera.

LYNN M. FAULDER



Lynn M. Faulder was appointed to the Board in November 2003. She is the Chair of the Corporate Governance, Stakeholder and Strategic Planning Committee. Ms. Faulder has been a member of the Finance and Strategy Committee, the Human Resource Committee and the Audit Committee and was the charter chair of the AGLC Governance and Stakeholders Committee. Mrs. Faulder is the Chair of the Board of Governors at Norquest Community College. She also chairs the Edmonton Assured Income for the Severely Handicapped (AISH) Appeal Panel and facilitates province-wide training in the principles of natural justice, decision making and decision writing for Alberta Income Support Appeal Panels. Ms. Faulder is a graduate of the Institute of Corporate Directors Program and holds the ICD designation.

JIM HANSEN



Jim Hansen was appointed to the Board in November of 2007. He is the Chair of the Board's Human Resources Committee and has been a member of the Finance and Strategy Committee and the Corporate Governance and Stakeholders Committee. Mr. Hansen was the President and CEO of the Alberta Hotel and Lodging Association (AHLA) for twenty years. Mr. Hansen is also a former director of the Alberta Liquor Industry Roundtable. Jim has held executive positions with the Hotel Association of Canada, Edmonton Regional Airports Authority, Leduc Nisku Economic Development Authority and District Chamber of Commerce.

THORNA L. LAWRENCE



Thorna L. Lawrence was appointed to the Board in December 2011. She is a member of the Board's Audit and Finance Committee. Ms. Lawrence has extensive consulting and business systems experience in Alberta's private sector and has specialized in business analysis, strategic management and consulting since 1987, working for Alberta's technology and energy sectors. Ms. Lawrence has operated T.L. Lawrence Consulting since 2005, and has served in consulting roles at Pason Systems, Teck Coal, and Deloitte. She holds a degree in Economics from the University of Calgary and holds a Chartered Accountant designation from the Institute of Chartered Accountants of Alberta. A strong supporter of volunteer initiatives, she served as the Board Chair of Calgary Communities Against Sexual Abuse for fifteen years and has served as both Treasurer and Board Member with the United Way of Calgary and Area.

BRENT SHERVEY



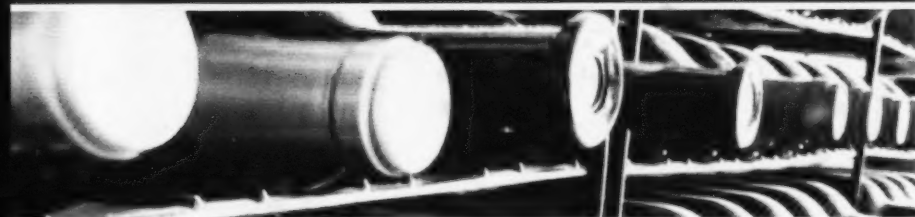
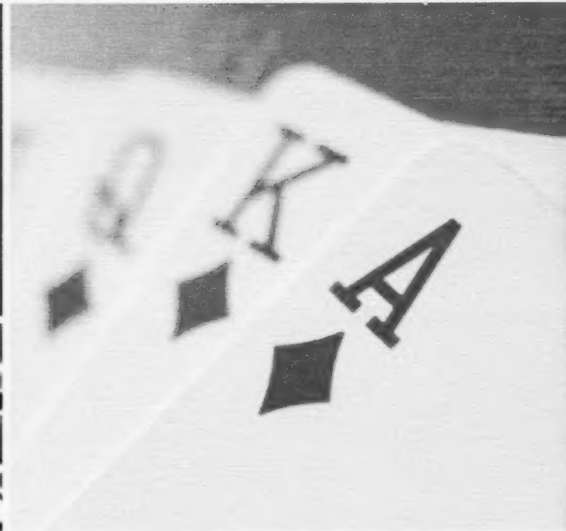
Brent Shervey was appointed to the Board in October 2011. He is a member of the Board's Corporate Governance, Stakeholder and Strategic Planning Committee as well as the Human Resources Committee. He is one of the managing directors of a Calgary based executive search firm. His experience includes finding senior executives in the not-for-profit, health care, energy, utilities and service sectors. He spent 10 years with Shell Canada in senior communications and public relations roles in both Calgary and Toronto. Mr. Shervey is an active member in the community and recently served as board chair of the United Way of Calgary and Area. He served on the board of directors of Theatre Junction for five years, including two years as chair and also served on the board of governors and foundation board for Mount Royal College. He has a Bachelor of Commerce and an MBA, both from the University of Alberta. Mr. Shervey is a graduate of the Institute of Corporate Directors Program and holds the ICD designation.



CORPORATE GOVERNANCE

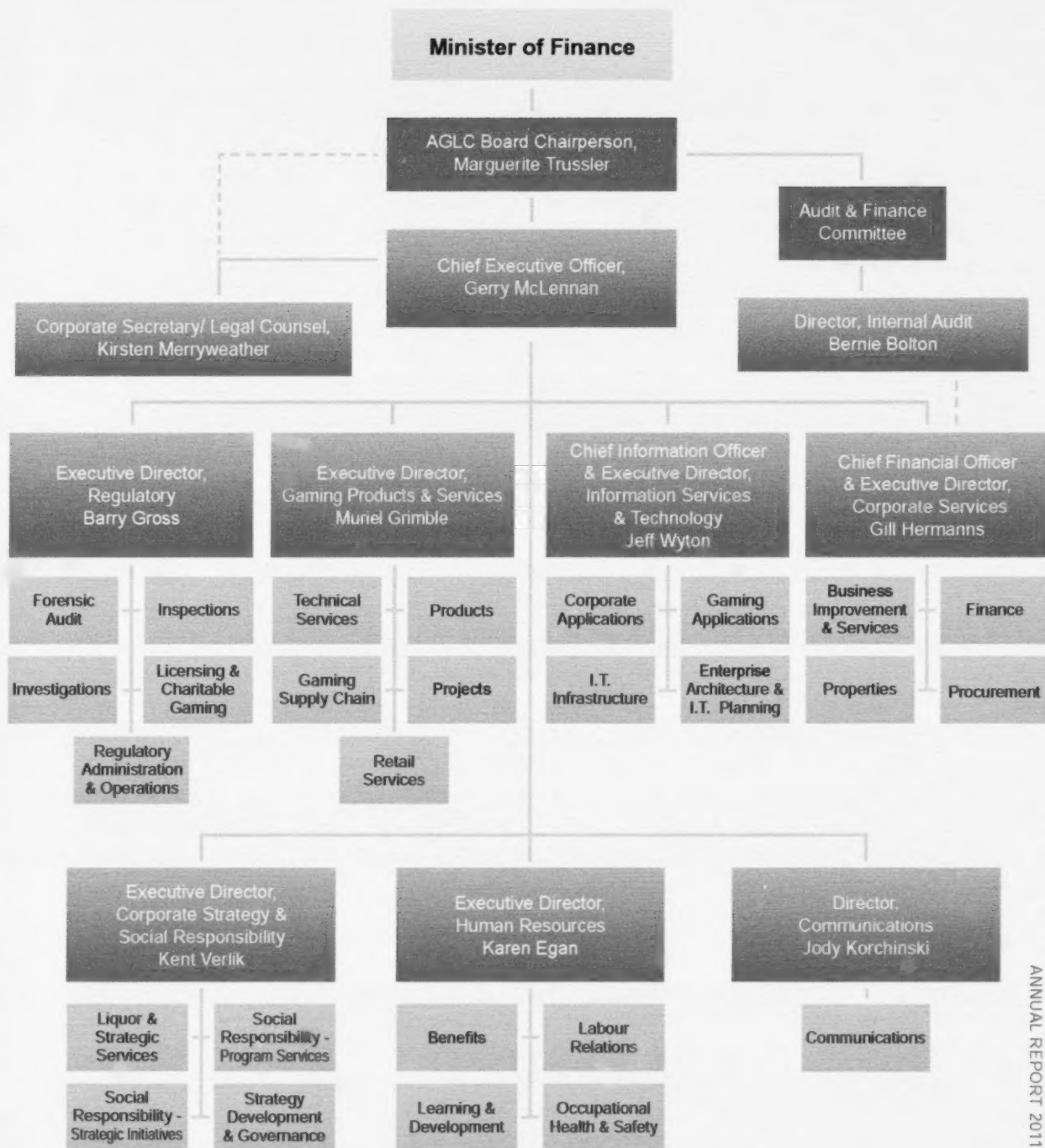


ORGANIZATION OVERVIEW



ORGANIZATION OVERVIEW

ORGANIZATION CHART MARCH 31, 2012



ABOUT THE AGLC

The AGLC's role is to administer *the Gaming and Liquor Act*, Regulation and related policies.

The manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta is controlled by the AGLC. The organization is also responsible for regulating Alberta's charitable gaming activities and conducting and managing provincial gaming activities.

It also manages and controls the growth of Alberta's gaming and liquor industries responsibly and with integrity. This ensures that rules are fair and clearly and consistently applied and that all industry stakeholders compete on a level playing field. It also ensures that sound policy and effective regulation work hand in hand with monitoring and enforcement activities. The AGLC is committed to working in partnership with charities and private businesses to deliver high quality services to the public. The AGLC is committed to excellence, openness and accountability.

The organization generates revenue for the province and the people of Alberta, contributing to the growth of Alberta's economy, the prosperity of communities and the well-being and quality of life of Albertans.

The AGLC ensures that its operations, policies and programs reflect the values of Albertans and works diligently to sustain the long-term economic benefits of liquor and gaming. The AGLC is committed to ensuring that gaming and liquor are delivered in a socially responsible manner and provides education and awareness programs for the public, for its staff, and for industry staff. The AGLC supports gambling and addictions research and is a partner in the province's beverage container recycling program.

In keeping with Albertans' right to personal choice, the AGLC provides Albertans with a wide range of gaming entertainment options as well as information to help them make informed choices. The AGLC provides gaming and liquor products in secure and licensed venues and has stringent policies to protect minors.

Through all its decisions, the AGLC maintains integrity and weighs social responsibility against Albertans' right to personal choice and the economic benefits generated by liquor and gaming. The AGLC respects the rights of communities to make decisions that reflect local interests.

FLOW OF FUNDS

The AGLC's liquor and gaming businesses include the collection and disbursement of funds in accordance with the *Gaming and Liquor Act*, other legislation, policies and agreements.

For liquor, suppliers are paid for the product by the AGLC. Warehousing, distribution and container recycling fees along with federal duties and taxes are also paid. After deducting the AGLC's liquor related operating costs, the net amount of liquor revenue is provided to the provincial government.

For provincial gaming, the AGLC records gaming activity from slot machines, ticket lotteries, Video Lottery Terminals (VLTs) and electronic bingo. The AGLC ensures prizes are paid and remits federal taxes. Commissions are paid to retailers/operators. Charities/religious groups are paid a commission from slot machines in casinos and from electronic bingo. After deducting gaming related operating costs, the net of gaming revenue is placed in the Alberta Lottery Fund.

For charitable gaming, the gaming event is conducted and managed by a charitable or religious group under a licence issued by the AGLC. Costs of products and services from the private sector are paid by the event licensee. The event licensee retains the profit from the event. Other than event licence fees and administrative fees, the AGLC receives as a cost reimbursement for acting as trustee of the charitable proceeds from traditional casino events, the AGLC receives no revenue from charitable gaming.

ADMINISTRATION

As set out in Section 18(2) of the *Gaming and Liquor Act*, the Chief Executive Officer (CEO) is responsible for overseeing the operations of the AGLC.

The AGLC has over 850 employees in seven divisions and has offices located in St. Albert (the head office), Calgary, Grande Prairie, Lethbridge, Red Deer, and Stettler. AGLC operations are facilitated through seven divisions: Communications, Corporate Services, Corporate Strategy and Social Responsibility, Gaming Products and Services, Human Resources, Information Services and Technology, and Regulatory.

DIVISIONAL INFORMATION

Gaming Products and Services

The Gaming Products and Services Division has five branches: Products, Projects, Retail Services, Technical Services, and Gaming Supply Chain Operations. The division manages the business operations related to gaming products and the conduct and management of the province's gaming activities. The Products branch is responsible for sustaining gaming revenues through the provision of top-quality gaming entertainment products for Alberta's gaming industry. The Projects branch develops project management disciplines and provides the project management leadership for the Gaming Program. The Retail Services branch supports the province's gaming retail networks and provides retail account management and product information and services retailers need for their operations. It also manages the AGLC's prize payout offices in St. Albert and Calgary. The Technical Services branch provides technical field support to maintain the province's electronic gaming equipment and operates the AGLC's Hotline call centre. The Gaming Supply Chain branch manages the warehouse operations, gaming equipment production, repair services, transportation and material/inventory management services.

Regulatory

The Regulatory Division consists of five branches: Forensic Audit, Inspections, Investigations, Licensing and Charitable Gaming, and Regulatory Administration and Operations. The division is responsible for maintaining the integrity of Alberta's gaming and liquor industries. The Forensic Audit branch conducts audits of charities that receive gaming funds as well as background investigations of licensees and registrants. The Inspections branch conducts regular, on-site monitoring to ensure liquor licensees, registrants and licensed gaming events comply with legislation and policies. The Investigations branch investigates offenses under the *Criminal Code* (Canada) related to gaming as well as provincial offenses related to liquor and tobacco. The Licensing and Charitable Gaming branch is responsible for the licensing, registration and reporting processes for Alberta's gaming and liquor operations. The Regulatory Administration and Operations branch develops gaming and liquor policies and processes.

Corporate Strategy and Social Responsibility

The Corporate Strategy and Social Responsibility Division has four branches: Liquor and Strategic Services, Social Responsibility – Program Services, Social Responsibility – Strategic Initiatives, and Strategy Development

and Governance. The Liquor and Strategic Services branch is responsible for AGLC business planning and performance measurement, external reporting, risk assessment, environmental scanning and strategic policy development. The branch also manages the liquor supply chain ensuring controlled, efficient, and effective supply of liquor products including compliance with customs and excise legislation, revenue collection and inventory control for all Alberta liquor and beer warehouses. The Social Responsibility – Strategic Initiatives branch is responsible for the development, implementation and evaluation of initiatives within the Social Responsibility Strategic Program. The Social Responsibility – Program Services branch is responsible for all aspects of program delivery for a wide range of consumer and industry programs that promote responsible gambling and the responsible sale and use of liquor. The Strategy Development and Governance branch is responsible for the development, governance and coordination of the AGLC's corporate strategy to ensure the Strategic Directions set out by the AGLC Board are achieved. It also manages the funding agreement with the Alberta Gambling Research Institute (AGRI).

Information Services and Technology

The Information Services and Technology Division has four branches: Corporate Applications, Gaming Applications, I.T. Infrastructure, and Enterprise Architecture and I.T. Planning. The division provides the computer technology that supports the AGLC's businesses. The Corporate Applications branch is responsible for the management, development and support of the specialized application systems that keep our day-to-day business on track and assist the business areas with collecting and monitoring information. The Gaming Applications branch is responsible for the management, development and support of the systems used by the AGLC to deliver the gaming business in Alberta. This includes the central monitoring systems for slots, Video Lottery Terminals and bingo. The I.T. Infrastructure branch manages a secure network of computers, printers and servers in all corporate offices, liquor warehouses and gaming facilities, as well as all of the telecommunications services for the AGLC. The Enterprise Architecture and I.T. Planning branch designs and manages the AGLC enterprise architecture including the business, data, application, technology and security architectures. It is also responsible for the division's strategic planning, risk management, and project management practices.

Corporate Services

The Corporate Services Division has four branches: Finance, Procurement, Properties, and Business Improvements and Services. The Finance branch collects, records and reports all gaming and liquor revenue, pays, records and reports all expenditures, provides treasury management, financial analysis, payment and payroll services, and coordinates budgets for the AGLC and administers the Alberta Lottery Fund. The Procurement branch manages all of the AGLC's procurement requirements, including purchasing and contracting. The Properties branch manages the acquisition of real property, leasing, capital development, office accommodations, maintenance, operation of facilities and corporate security. The Business Improvements and Services branch ensures the functions of financial operations, systems and project management align with the strategic goals of the AGLC. The branch is responsible for managing projects as well as reviewing and reengineering current business processes and procedures.

Human Resources

The Human Resources Division plans, develops and delivers all human resource programs, policies and practices for the organization, and promotes the alignment of strategic human resource initiatives with strategic and business goals. In addition, the division manages the delivery of human resource services in the areas of staffing, job evaluation, employee recognition, attraction, retention initiatives, learning and development, occupational health and safety, benefit administration and collective bargaining.

Communications

The Communications Division supports the AGLC's commitment to communicating with employees and stakeholders on key business activities and initiatives. Through communications planning, media relations and development of public relations materials the division enhances Albertans' awareness of AGLC initiatives. Staff in this division serve as spokespersons for the AGLC on corporate issues while ensuring media and Albertans are provided clear and accurate information.



THE YEAR IN REVIEW



THE YEAR IN REVIEW

WHY MEASURE PERFORMANCE?

Through performance measurement, the AGLC evaluates the effectiveness of the programs and services it provides. The results tell the AGLC what is working well and where improvements can be made. As part of the AGLC's commitment to be open and accountable to Albertans, each year the AGLC sets goals in its business plan and communicates these results to the public through its annual report.

A LOOK BACK ON PERFORMANCE FOR 2011-12

Each year the AGLC measures its performance based on the goals set out in its business plan. In 2011-12, the AGLC met or exceeded 10 of its performance measures as summarized below. Measuring performance sets clear priorities and ensures the province's gaming and liquor industries are managed in a manner that reflects the views and values of Albertans.

Goal	Performance Measure	2011-12 Target	2011-12 Result
1. Maintain the integrity of Alberta's liquor industry	a. Percentage of liquor licensees who comply with legislation, regulation and policy	95.0%	94.3%
	b. Percentage of Albertans satisfied that liquor is provided in a responsible manner	94.0%	90.4%
	c. Percentage of Albertans satisfied with the conduct of the liquor business in Alberta	80.0%	80.0%
2. Encourage a culture of moderation to reduce alcohol related harms	a. Percentage of Albertans aware of prevention and treatment programs for alcohol abuse	88.0%	86.0%
	b. Percentage of Albertans that drink alcohol in moderation	89.0%	92.0%
	c. Percentage of Albertans satisfied that licensed premises in Alberta are safe and responsible environments in which to consume alcohol	70.0%	76.3%
3. Sustain the province's revenue from liquor mark-up	a. Liquor mark-up collected (in thousands of dollars)	\$731,009	\$708,761
	b. Percentage of liquor industry clients satisfied with the level of service provided by the AGLC	95.0%	94.0%
4. Uphold the integrity of Alberta's gaming activities	a. Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy	98.0%	99.6%
	b. Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner	95.0%	94.3%
	c. Percentage of gaming integrity issues resolved within established timeframes	95.0%	96.5%
	d. Percentage of Albertans satisfied with the conduct of legal gaming in Alberta	72.0%	81.0%
5. Encourage the development of healthy, sustainable gambling environments that minimize gambling-related harm	a. Percentage of Albertans aware of prevention and treatment programs for problem gambling	88.0%	83.0%
	b. Percentage of Albertans that gamble responsibly	96.0%	97.0%
	c. Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble	68.0%	69.1%
6. Sustain revenues from gaming by anticipating and responding to changes in the environment	a. Gaming net revenue (in thousands of dollars)	\$1,641,902	\$1,664,883
	b. Percentage of Albertans satisfied with the availability of gaming products and activities	72.0%	80.0%
	c. Percentage of retailers satisfied with AGLC services related to VLTs, slot machines, electronic bingo and ticket lotteries	98.0%	95.0%

CORE BUSINESS 1: LIQUOR

Goals

1. Maintain the integrity of Alberta's liquor industry
2. Encourage a culture of moderation to reduce alcohol related harms
3. Sustain the province's revenue from liquor mark-up

Goal 1: Maintain the integrity of Alberta's liquor industry

Highlights

Liquor licences

There were 8,415 liquor licences in effect on March 31, 2012, compared to 8,387 the previous year not including special event licences. There were 1,381 privately-owned liquor stores and general merchandise liquor stores compared to 1,344 the previous year.

Liquor Licences by class	2011-12	2010-11	2009-10	2008-09	2007-08
Class A (open to the public)	5,094	5,087	5,059	5,015	5,037
Class B (facilities where people pay an entrance fee or buy a ticket)	542	540	523	507	507
Class C (private clubs)	793	793	793	795	782
Class D (retail outlets that sell liquor for off-premises consumption) ¹	1,960	1,942	1,868	1,801	1,800
Class E (liquor manufacturers)	26	25	22	22	20
Total	8,415	8,387	8,265	8,140	8,146
Private Retail Liquor Stores (included in Class D above)	1,285	1,250	1,176	1,122	1,098
General Merchandise Liquor Stores (included in Class D above)	96	94	92	88	89

¹ Class D licences are issued for private retail liquor stores, general merchandise liquor stores, off-sales (for off-premises consumption), manufacturers off-sales (e.g. cottage wineries), delivery services, sacramental wine, and to commercial caterers.

WHAT IS A SPECIAL EVENT LICENCE?

A liquor special event licence is a type of liquor licence which allows the holder to host a function with liquor service, for example a wedding at a community hall. The special event licence holder may be an individual, non-profit organization, company or municipality. A liquor special event licence is not required for a function held at a private residence, as long as liquor is not sold at the function.

A special event licence may be obtained from retail liquor stores, general merchandise liquor stores, general off-sales rooms or the AGLC offices in St. Albert and Calgary.

Liquor products available

Alberta's privatized liquor model provides Albertans with access to an unparalleled number of different liquor products. 16,447 different liquor products were available to privately-owned liquor stores and general merchandise liquor stores throughout Alberta on March 31, 2012, compared to 15,929 the previous year.

	2011-12	2010-11	2009-10	2008-09	2007-08
Spirits	3,001	2,844	2,727	2,776	2,459
Wine	11,407	11,342	11,674	11,805	10,731
Beer	1,672	1,405	1,249	1,002	939
Coolers/Cider	367	338	313	289	282
Total Liquor Products Available	16,447	15,929	15,963	15,872	14,411

Preventing minors from accessing liquor

Maintaining integrity in Alberta's liquor industry is crucial to ensuring liquor sustainability. That is why we continue to work with industry to prohibit minors from consuming alcohol. The AGLC regularly inspects licensed establishments to ensure that liquor licensees comply with legislation, regulation and policy. Licensees not in compliance are fined, suspended or otherwise disciplined. In 2011-12, a special inspection program found 83 per cent of establishments serving liquor requested proof of age from young people.

Liquor mark-up rates

Suppliers or their agents register liquor products with the AGLC and set an invoice price that reflects their cost. This includes the actual cost of providing the liquor (that is, the manufacturer's cost) plus the cost of marketing and promotion, transportation to the warehouse, warehousing charges and a profit margin.

The AGLC then calculates a wholesale price using the supplier's price and adds federal customs and excise taxes and duties, a recycling fee, a container deposit and the provincial mark-up. Mark-up rates depend on product type and alcohol percentage. They are assigned according to an approved rate schedule that is established by policy and reviewed regularly. There were no changes to liquor mark-up rates in 2011-12.

Liquor Mark-up Rates

	As of March 31/12
Spirits, Refreshment Beverages and Wine	\$ per Litre
Spirits (greater than 60% alcohol content)	17.87
Spirits (greater than 22% and less than or equal to 60% alcohol content)	13.30
Spirits (less than or equal to 22% alcohol content)	9.90
Refreshment Beverages (greater than 8% and less than or equal to 16% alcohol content)	4.05
Refreshment Beverages (greater than 1% and less than or equal to 8% alcohol content)	1.35
Wine and Sake (greater than 16% alcohol content)	6.10
Wine and Sake (less than or equal to 16% alcohol content)	3.45
Wine and Mead (sold from cottage winery/meadery farm gates and/or farmer's markets)	0.70
Beer Annual Worldwide Production*	\$ per Litre
Less than or equal to 20,000 hectolitres	0.20**
Greater than 20,000 hectolitres and less than or equal to 200,000 hectolitres	0.40**
Greater than 200,000 hectolitres and less than or equal to 400,000 hectolitres	0.40 on sales in Alberta up to and including the first 200,000 hectolitres *** 0.98 on sales in Alberta for the next 200,000 hectolitres up to and including 400,000 hectolitres
Greater than 400,000 hectolitres	0.98
Beer Greater than 11.9% by Volume	\$ per Litre
Beer (greater than 11.9% and less than or equal to 16% alcohol content)	4.05
Beer (greater than 16% and less than or equal to 22% alcohol content)	9.90
Beer (greater than 22% and less than or equal to 60% alcohol content)	13.30

* Annual worldwide production includes the volume of all liquor and non-liquor products manufactured where the beer is produced, as well as all contracted or leased volumes.

** All manufacturers/liquor suppliers/liquor agencies are subject to the standard mark-up rate of \$0.98 per litre. A qualified manufacturer may be eligible for the small brewer mark-up if it meets, to the satisfaction of the AGLC, the following criteria:

1. A qualified manufacturer, under the beer mark-up policy, is defined as:

- An Alberta licensee holding a Class E Manufacturer (Brewery) Licence issued in accordance with the *Gaming and Liquor Act*, Gaming and Liquor Regulation and related AGLC policies; or
- A person who owns/leases, operates and controls an establishment for making liquor outside of Alberta who meets the following requirements of a Class E Manufacturer (Brewery) in Alberta:
 - 5,000 hectolitres minimum annual production capacity;
 - all beer must be manufactured on site;
 - fermentation, maturation and storage tanks with a minimum of 10 hectolitres capacity each;

iv. there must be a weekly minimum of 50 hectolitres overall fermentation, maturation and storage capability and there must be space available to add additional tanks to achieve the overall annual capacity; and

v. the person must have the continuous right to solely occupy and control the facility whether or not the facility is owned or leased by the person.

2. A qualified manufacturer is eligible for the small brewer rates mark-up on products for distribution in Alberta only if it is either:

- the owner of the trade/brand names it manufactures; or
- the registered agency in Alberta of the products it manufactures.

3. A registered agency that has a product produced at only one qualified manufacturer, that qualified manufacturer having annual world-wide production of all products less than 20,000 hectolitres, is eligible for the small brewer rate.

*** Only those beer manufacturers and suppliers whose annual worldwide production was less than 200,000 hectolitres when they entered the Alberta market are eligible for the transition mark-up rates.

Goal 1 Performance Measures

1.a. Percentage of liquor licensees who comply with legislation, regulation and policy

The responsibilities of liquor licensees are described in the *Gaming and Liquor Act*, Gaming and Liquor Regulation and AGLC policies. It is important to the AGLC that liquor licensees meet their obligations. Throughout the year, the AGLC conducts regular inspections of licensed premises, investigations, and audits. AGLC Inspectors conducted 38,396 inspections in 2011-12, which works out to over 105 inspections each day.

If an infraction is detected during an inspection, a liquor licensee may be issued a penalty. In 2011-12, the top infractions were:

1. Failing to request proof of age from a patron who appears to be under 25 years of age;
2. Selling liquor to minors or allowing minors in age-restricted facilities;
3. Serving liquor to intoxicated patrons;
4. Serving liquor after hours; and
5. Failing to provide proper supervision and control (e.g. not having enough staff on duty and/or employing staff who are not properly trained to deal with situations that might occur in licensed premises).

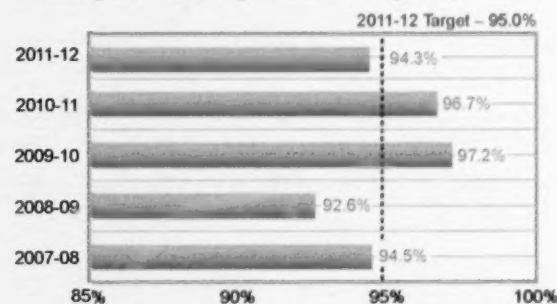
Disciplinary actions depend on the type of infraction and can include the licensee being issued a warning or a monetary penalty or the suspension or cancellation of a licence. A licensee who appeals a disciplinary action is required to appear before the AGLC Board for a hearing. The AGLC Board held 32 liquor-related hearings in 2011-12 which is similar to the number of hearings held in previous years.

Number of licensee penalties

	2011-12	2010-11	2009-10
Average Number of Licensees	6,867	6,751	6,585
Number of Licensees who Received Penalties	393	220	188

In 2011-12, 94.3 per cent of liquor licensees complied with legislation, regulation and policy, a result which does not quite meet the target of 95.0 per cent. The slightly lower result for 2011-12 may reflect the re-establishment of the Under 25 program, which aims to prevent or reduce situations where proof of age is not requested from those under 18 years of age. To ensure the highest levels of compliance in the future, the AGLC will continue to maintain its relationships with licensees.

Percentage of liquor licensees who comply with legislation, regulation and policy



Source: Stakeholder Database. Report generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

Notes:

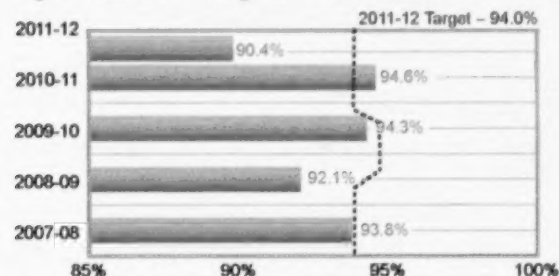
- Licensees consist of five different classes of liquor licences, as well as registrants and Special Event licences.
- In 2011-12, 88% of all licensees were inspected. The percentage of all licensees inspected in 2010-11 was 86%, 2009-10 was 88%, 2008-09 was 88% and 84% in 2007-08.
- Cautions (verbal warnings) are not included in the results.

1.b. Percentage of Albertans satisfied that liquor is provided in a responsible manner

It is important to the AGLC that liquor in Alberta be consumed in a responsible fashion. The AGLC places significant emphasis on working with its stakeholders, licensees and partners to encourage actions that support responsibility and accountability in both individuals and businesses and that Albertans actually see the results. The AGLC uses this performance measure to gauge the progress related to this goal. 90.4 per cent of Albertans expressed satisfaction that liquor was provided responsibly in 2011-12. While the result indicates a high degree of satisfaction this result does not meet the target of 94.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 47.

Percentage of Albertans satisfied that liquor is provided in a responsible manner



Source: 2011-12 Survey of Albertans – Leger Marketing

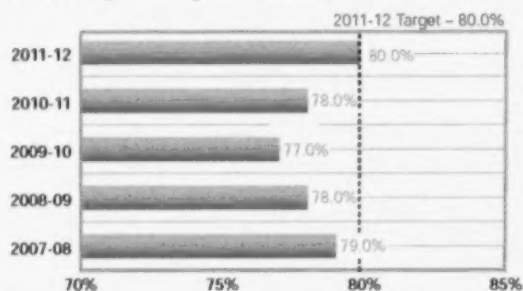
- The target for this performance measure has changed over time. In 2007-08 and 2010-11 the target was 94.0% and in 2008-09 and 2009-10 it was 95.0%.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

1.c. Percentage of Albertans satisfied with the conduct of the liquor business in Alberta

The AGLC strives to ensure that the liquor business in Alberta operates with integrity and accountability. A high satisfaction rate with the conduct of the liquor business provides an indication that policies and legislation are working well and meeting Albertans' expectations. 80.0 per cent of Albertans surveyed indicated they were satisfied with the conduct of the liquor business in Alberta in 2011-12. This is a slightly higher level of satisfaction than obtained in the previous year and meets the target of 80.0 per cent. It is clear that Albertans continue to be satisfied with the conduct of the liquor business in Alberta over the long term.

If you would like detailed information on the Survey of Albertans, please refer to page 47.

Percentage of Albertans satisfied with the conduct of the liquor business in Alberta



Source: 2011-12 Survey of Albertans – Leger Marketing

- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

Goal 2: Encourage a culture of moderation to reduce alcohol related harms

Highlights

Collaboration

The AGLC continues to incorporate social responsibility into its operations and participates in a number of collaborative efforts with government, stakeholders and patrons. The AGLC worked closely with liquor industry stakeholders and Alberta Health Services (AHS) to develop a provincial strategy that promotes healthy choices and the responsible use of liquor products. In addition, other joint issues include monitoring liquor policy development in other jurisdictions and where possible working with national partners.

Alberta Alcohol Strategy

The Alberta Alcohol Strategy (AAS) is one way the AGLC shows its commitment to responsibility in Alberta's liquor business. The AGLC continues to partake in and support the development of the strategy as part of a coordinated effort with Alberta Health Services and in conjunction with community stakeholders and government colleagues. The strategy focuses on encouraging a culture of moderation and increasing knowledge about the use and abuse in Alberta. The AAS team is currently working on a plan to disseminate the national Low-Risk Drinking Guidelines across Alberta.

Low-Risk Drinking Guidelines

On November 25, 2011, the National Alcohol Strategy Advisory Committee released Canada's Low-Risk Alcohol Drinking Guidelines. The guidelines were developed to help Canadians make informed choices about alcohol consumption and to encourage a culture of moderation. The guidelines form an essential component of Canada's National Alcohol Strategy.

Guideline 1:

To reduce long-term health risks, the guidelines recommend no more than two drinks a day or 10 drinks a week for women, and no more than three drinks a day or 15 drinks a week for men, balanced with non-drinking days.

Guideline 2:

To reduce your risk of injury and harm, limit the number of drinks consumed on single occasions – no more than three drinks (for women) and four drinks (for men) on any single occasion. Plan to drink in a safe environment and stay within the limits outlined in Guideline 1.

TIPS FOR RESPONSIBLE ALCOHOL CONSUMPTION:

- Set limits for yourself and abide by them.
- Drink slowly. Have no more than two drinks in any three hours.
- For every drink of alcohol, have one non-alcoholic drink.
- Eat before and while you are drinking.
- Always consider your age, body weight and health problems that might suggest lower limits.
- While drinking may provide health benefits for certain groups of people, do not start to drink, or increase your drinking, for health benefits.

Guideline 3:

Alcohol should be avoided altogether when:

- driving a vehicle or using machinery or tools;
- taking medicine or other drugs that interact with alcohol;
- doing any kinds of dangerous physical activity;
- living with mental or physical health problems;
- living with alcohol dependence;
- pregnant or planning to be pregnant;
- responsible for the safety of others; and
- making important decisions.

For these guidelines, "a drink" means:

- 341 ml (12 oz) bottle of 5% alcohol beer, cider or cooler
- 142 ml (5 oz) glass of 12% alcohol wine
- 43 ml (1.5 oz) serving of 40% distilled alcohol (rye, gin, rum, etc).

Guideline 4:

If you are pregnant, planning to become pregnant, or about to breastfeed, the safest choice is to drink no alcohol at all.

Guideline 5:

If you are a child or youth, you should delay drinking until you are of legal drinking age. Talk with your parents about drinking, plan ahead, follow local alcohol laws and stay within the limits outlined in Guideline 1.

Alberta Safer Bars Council

The Alberta Safer Bars Council is comprised of representatives from police agencies, municipalities, the liquor and hospitality industries and several government departments and acts as a provincial advisory group. It provides input towards policy development and the implementation of operator and regulatory best practices, including providing strategic advice to the AGLC in prioritizing, developing and implementing policies and programs to deter and reduce violence in and around licensed premises.

In 2011-12, the Council endorsed a strategic plan and developed and modified project charters signifying key priorities. These will move the strategic plan forward and guide the Council's vision for the next three years.

Best Bar None – Raising standards in liquor establishments

Best Bar None is a voluntary program, aiming to reduce alcohol-related problems by raising the operating standards of licensed premises as well as building positive relationships among the licensees, law enforcement, industry partners and community groups. The program uses a system of accreditation, assessment and awards to engage nightspots in responsible management and safe operations. All Class A Minors-Prohibited establishments where the program operates are eligible to participate. In 2011-12, 85 per cent of patrons surveyed felt that bar managers who take steps to make their venues safer should be recognized and 59 per cent of patrons surveyed indicated that they felt safer entering a bar with a "Best Bar None" logo on display.

Best Bar None was introduced in Edmonton in 2010. The program is currently in its second year in Edmonton. Feedback from licensees shows that they are eager to be recognized and rewarded for maintaining higher standards of patron safety. Given the success in Edmonton, the program was launched in Calgary on January 19, 2012. Results for Calgary will be included in the 2012-13 Annual Report.

	2011-12	2010-11
Number of licensees accredited	42	38
Percentage of patrons who ranked the issue of safety as an important factor when considering which venue(s) to attend	76% ¹	80% ²

* 2010-11 was the pilot year for the Best Bar None program in Edmonton.

1 Source: Survey of 977 bar patrons in Edmonton entertainment districts (November 2011-January 2012).

2 Source: Survey of 777 bar patrons in Edmonton entertainment districts (November-December 2010).

To view a complete list of establishments that have achieved Best Bar None accreditation, visit the program's website at bestbarnone.ab.ca.

WHAT DOES IT MEAN WHEN YOU WALK INTO A BAR AND SEE A BBN STICKER ON THE DOOR?



For You. Best Bar None-accredited bars choose to put their operation to the test to prove to the public that they are committed to providing a safer night out.

Best Bar None is an accreditation program that recognizes bars that make a commitment to patron safety and responsible liquor service. The bar's management and staff work hard to prove to Best Bar None assessors that their policies and practices make your experience safer and more enjoyable.

Raising Standards. The sticker on the door identifies bars that volunteered to raise their standards and put their operation to the test. BEST BAR NONE evaluates topics such as customer care, premises management, community relations and responsible service with a checklist of over 100 criteria items.

SMART Training Programs

AGLC SMART training programs educate and inform people who work in the gaming and liquor industries about responsible gambling and the responsible service, sale and consumption of liquor. Liquor industry SMART training programs are *ProServe* and *ProTect*.

Individuals requiring training are required to do so within 30 days from the day they are hired. Certification is valid for five years from the date of certification. All SMART training programs are offered through facilitated courses and online at smartprograms.aglc.ca.

SMART Training Program Completions by Program

	2011-12	2010-11	2009-10	2008-09	2007-08
<i>ProServe</i> * (Liquor Industry Workers)	35,596	37,382	43,386	13,022	11,614
<i>ProTect</i> (Liquor Industry Security Staff)	2,936	4,248	2,573	2,258	315

* Formerly the *Alberta Server Intervention Program* training. *ProServe* training became mandatory as of January 1, 2010.

ProServe

ProServe is one of the AGLC's SMART training programs and was created to provide training to licensees and their staff working in liquor service, retail businesses and the provision of security services in licensed premises in Alberta. The program raises awareness of the responsible consumption of alcohol. It is mandatory for all staff working on-premises (in bars, restaurants, private clubs or mass assembly venues), in retail establishments or other activities surrounding liquor service (delivery service, liquor sampling or a licensed public special event).

The program is designed to:

- help licensees and staff fulfill social responsibilities;
- help achieve a balance between creating a safe and enjoyable atmosphere for patrons and reducing liability;
- help liquor industry workers understand and apply relevant liquor legislation;
- promote the responsible sale of liquor in service and retail environments; and
- provide the knowledge to identify signs of intoxication and the techniques to effectively refuse or discontinue service.

ProTect

ProTect is another of the AGLC's SMART training programs. It was developed to increase the safety of patrons and staff in licensed premises. Training helps security staff improve their observation and communication skills to better prepare them to prevent, defuse and manage customer disturbances before violence escalates. *ProTect* is a key strategy in Alberta's focus on safer communities for current and future generations.

ProTect Security Staff Training is a program designed for individuals whose job responsibilities normally include:

- monitoring and controlling access to the premises (door person) at all entrances open to the public;
- checking for proper identification to ensure only patrons of legal drinking age enter the premises;
- ensuring compliance to the *Gaming and Liquor Act*, Gaming and Liquor Regulation, and AGLC policies;
- ensuring patrons banned from entering or remaining on the premises do not enter or remain;
- ensuring the occupant load under the fire code is not exceeded (crowd control duties);
- staying highly visible and circulating through the licensed premises (floor person); and
- monitoring patrons and intervening early to prevent fights and other aggressive acts.

Goal 2 Performance Measures

2.a. Percentage of Albertans aware of prevention and treatment programs for alcohol abuse

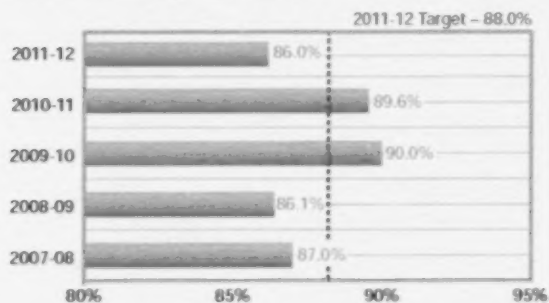
The AGLC works hard to promote the responsible sale, service and consumption of liquor in Alberta. This is often accomplished through partnerships like the AGLC's partnership with Alberta Health Services to develop and distribute educational materials informing Albertans about assistance to those wanting help with their alcohol consumption.

Each year the AGLC surveys Albertans to ask if they have come into contact with this type of information.

In 2011-12, 86.0 per cent of Albertans indicated they had heard, seen or read material related to the prevention and treatment programs for alcohol abuse. This result is consistent with the results obtained over the previous five years but does not meet the target of 88.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 47.

Percentage of Albertans aware of prevention and treatment programs for alcohol abuse



Source: 2011-12 Survey of Albertans - Leger Marketing

- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent

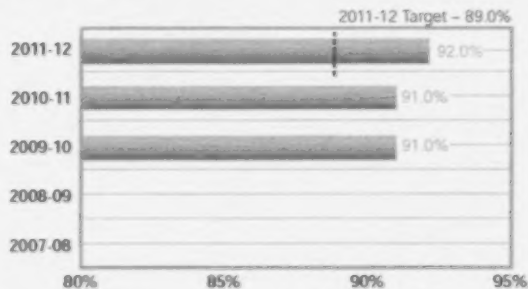
2.b. Percentage of Albertans that drink alcohol in moderation

The AGLC is committed to fostering a culture of moderation in Alberta. We lead or actively participate in a number of initiatives in this regard. To measure our progress, beginning in 2009-10, we began surveying Albertans about their alcohol consumption. Survey questions and result indices are based on the internationally-recognized Alcohol Use and Disorders Identification Test (AUDIT).

Based on the AUDIT questions, 92.0 per cent of Albertans self-reported either abstaining from alcohol or drinking a moderate amount of alcohol. This result is consistent with the result achieved in 2010-11 and meets the target of 89.0 per cent.

If you would like detailed information on the Survey of Albertans - Social Responsibility, please refer to page 49.

Percentage of Albertans that drink alcohol in moderation



Source: 2011-12 Survey of Albertans - Social Responsibility - Leger Marketing

- This was a new performance measure in 2011-12; therefore targets are not listed for prior years.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

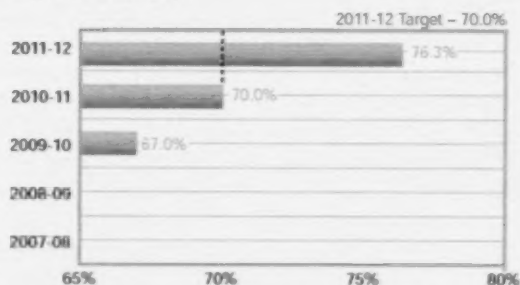
2.c. Percentage of Albertans satisfied that licensed premises in Alberta are safe and responsible environments in which to consume alcohol

The AGLC undertakes a number of initiatives to ensure licensed premises in Alberta are safe and responsible environments in which to consume alcohol. To measure safety in licensed premises in Alberta, each year we survey Albertans to ask how satisfied they are that licensed premises are safe and responsible environments in which to consume alcohol.

76.3 per cent of Albertans were satisfied in 2011-12 that licensed premises were safe and responsible environments in which to consume alcohol. This result exceeds the target of 70 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 47.

Percentage of Albertans satisfied that licensed premises in Alberta are safe and responsible environments in which to consume alcohol



Source: 2011-12 Survey of Albertans – Leger Marketing

- This was a new performance measure in 2011-12; therefore targets are not listed for prior years.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.
- The results for 2009-10 and 2010-11 are based on one survey question: "How satisfied are you that bars, lounges, and restaurants are a safe and responsible environment in which to consume alcohol?"
- In 2011-12, the survey methodology was refined and the 2011-12 results are based on an index of two questions: "How satisfied are you that bars, lounges, and restaurants are safe environments in which to consume alcohol?" and "Now I'd like you to rate your level of satisfaction with a number of different aspects of liquor operations in premises where liquor is sold, such as restaurants, lounges or bars. How Satisfied are you that liquor is sold in a responsible manner?"

Goal 3: Sustain the province's revenue from liquor mark-up

Highlights

Liquor Summary

(\$ millions)	2011-12 ¹	2010-11 ¹	2009-10 ²	2008-09 ²	2007-08 ²
Sales	\$2,149.2	\$2,033.5	\$2,054.8	\$2,020.9	\$1,966.3
Cost of Product	1,440.4	1,344.4	1,330.5	1,336.3	1,286.0
Gross Profit	708.8	689.1	724.3	684.6	680.3
Liquor-related Operating and Regulatory costs	20.7	19.5	20.3	20.9	21.7
Revenue from licences, fines and other charges	13.2	13.8	11.8	20.8	19.6
(Loss) Gain on Unfunded Pension Liability ³	(14.2)	(3.6)	–	–	–
Net Operating Results – transferred to the provincial General Revenue Fund	\$687.1	\$679.8	\$715.8	\$684.5	\$678.2

1. Accounting based on International Financial Reporting Standards.

2. Accounting based on Canadian Generally Accepted Accounting Principles.

3. The AGLC is required to record a provision for unfunded pension liability, representing the AGLC's estimated share of the unfunded deficits of the various multi-employer pension plans it participates in.

Gross profit from liquor sales in 2011-12 was \$708.8 million, compared to \$689.1 million the previous year. Our liquor sales totaled \$2.1 billion and \$1.4 billion was paid to suppliers and the federal government in the form of taxes and duties. The AGLC also collected and remitted container recycling fees. Our liquor-related operating and regulatory costs were \$20.7 million, leaving \$688.1 million which, along with \$13.2 million collected for licences, fines and other charges and after adjusting for a loss on unfunded pension liability of \$14.2 million, provided \$687.1 million to the provincial General Revenue Fund.

Liquor sales by volume

Liquor Sales by Volume (in hectoliters)	2011-12	2010-11	2009-10	2008-09	2007-08
Spirits	255,396	253,472	243,862	254,205	251,898
Wine	363,789	346,898	326,321	314,746	308,240
Coolers and Cider	167,263	144,370	146,983	150,357	150,295
Beer	2,720,865	2,610,874	2,705,264	2,715,449	2,662,062
Total Volume	3,507,313	3,355,614	3,422,430	3,434,757	3,372,495

WHAT IS A HECTOLITRE?

A hectolitre is a unit of volume that is equal to 100 litres.

Liquor sales

Liquor Sales by Type (\$ thousands)	2011-12	2010-11	2009-10	2008-09	2007-08
Spirits	\$663,656	\$643,763	\$634,262	\$638,550	\$619,568
Wine	450,746	426,468	403,218	390,804	381,317
Coolers and Cider	75,156	66,680	70,751	70,361	69,824
Beer	959,647	896,571	946,542	921,158	895,639
Total	\$2,149,205	\$2,033,482	\$2,054,773	\$2,020,873	\$1,966,348

Goal 3 Performance Measures

3.a. Liquor mark-up collected (thousands of dollars)

In Alberta, suppliers or their agents register liquor products with the AGLC and set a price that reflects the cost of the product. This includes the cost of manufacturing the product, the cost of insurance, costs associated with marketing and promotion, costs associated with transportation to the warehouse, warehousing charges, and a profit margin. A wholesale price for the liquor product is then calculated by adding federal customs and excise duties and GST, a recycling fee, a container deposit and a provincial mark-up. The amount of provincial mark-up depends on the type of product and alcohol percentage. Mark-up is assigned according to a rate schedule (for more information on the rate schedule, see page 21). As the number of adults living in the province continues to increase, the amount of liquor mark-up collected also increases. In 2011-12, the total liquor mark-up collected was almost \$708.8 million compared to \$689.1 million the previous year and not quite meeting the target.

Amount of liquor mark-up collected (thousands of dollars)



Source: AGLC Financial Statements – Statement of Operations

- Amount of liquor mark-up collected is the liquor revenue minus the liquor cost of sales.
- This was a new performance measure in 2010-11. Therefore targets for years prior to 2010-11 are not listed.
- In 2010-11, the target was \$709.7 million.

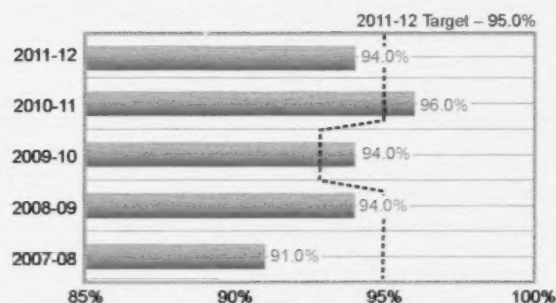
3.b. Percentage of liquor industry clients satisfied with the level of service provided by the AGLC

Providing high quality customer service is important to the AGLC. That's why we conduct a yearly survey of liquor industry clients to obtain their feedback with the services we provide throughout the year. This allows us to see what is working well and what can use improvement.

In 2011-12, 94.0 per cent of liquor industry clients were satisfied with the services provided by the AGLC. This result is consistent with results achieved in previous years but does not meet the target of 95.0 per cent.

If you would like detailed information on the Survey of Liquor Industry Clients, please refer to page 50.

Percentage of liquor industry clients satisfied with the level of service provided by the AGLC



Source: 2011-12 Survey of Liquor Industry Clients – Leger Marketing

- Target was 95.0% in 2007-08, 2008-09, and 2010-11 and 93.0% in 2009-10.
- There is a 95 per cent certainty that the results are accurate to ± 4.0 per cent.

CORE BUSINESS 2: GAMING

Goals

4. Uphold the integrity of Alberta's gaming activities
5. Encourage the development of healthy, sustainable gambling environments that minimize gambling-related harm
6. Sustain revenues from gaming by anticipating and responding to changes in the environment

Goal 4: Uphold the integrity of Alberta's gaming activities

Highlights

Gaming in Alberta

Under the *Criminal Code* (Canada), the AGLC is responsible for conducting and managing ticket lotteries (through the Western Canada Lottery Corporation) and all electronic gaming devices (slot machines, Video Lottery Terminals or VLTs, and electronic bingo) in Alberta. Through retailer agreements, these activities are provided through independent retailers, private operators, and bingo associations. The AGLC supplies and maintains the electronic equipment used for ticket lotteries, slot machines, VLTs, and electronic bingo.

Licensed charitable and religious groups raise funds that directly benefit their programs by conducting charitable gaming events. Groups conducting casino events receive the proceeds from table games and pay a service fee to the facility operator. In a similar fashion, charities keep all the proceeds they earn from paper bingo, raffles and pull-ticket sales after operating expenses are deducted. Through the form of a commission, charities also receive a portion of the revenues from slot machines, electronic bingo and Keno.

Minors' awareness campaign – under 18

Maintaining integrity in Alberta's gaming industry is crucial to ensuring gaming sustainability. That is why we continue to work with industry to prohibit minors from participating in gambling activities. Campaigns, such as the Under 18 – All Bets are Off, remind consumers and industry stakeholders of their shared responsibility to prevent minors from participating in gambling activities. Through regular inspections of licensed gaming venues, the AGLC ensures that licensees comply with legislation, regulation and policy. Licensees found not in compliance may be issued a fine, licence suspension or otherwise disciplined. In 2011-12, a special inspection program found 63 per cent of lottery ticket retailers requested proof of age from young people.

Ticket lottery policies to protect players

The AGLC has a number of policies and strategies in place to ensure the integrity of ticket lotteries in Alberta. All Alberta ticket lottery retailers are registered in a Western Canada Lottery Corporation (WCLC) database which can be used to identify prize claimants who are lottery ticket retailers. All new lottery ticket retailers in Alberta are required to complete a criminal record check before being eligible for a lottery terminal. Other policies include a requirement that all tickets be signed prior to validation by the retailer and that retailers return all tickets to customers after validation. To ensure these policies are adhered to, the AGLC monitors retailers through a ticket retailer compliance program. All consumer complaints are recorded and investigated.

GAIN

The AGLC works hard to ensure charitable groups understand how charitable gaming in Alberta is designed and how they can directly benefit from conducting gaming events. The Gaming Information for Charitable Groups (GAIN) program provides information about charitable gaming in Alberta through specific sessions regarding licensing, use of proceeds and casino information for charitable groups. Combined sessions for licensing and use of proceeds are also available and special presentations for conferences or meetings can also be requested. In 2011-12, 2,406 participants attended 202 GAIN sessions in 54 Alberta communities. Albertans continue to be very satisfied with the GAIN program in 2011-12; 98.6 per cent of GAIN participants rated the program as good or excellent. For more information about the GAIN program please visit aglc.ca.

Charitable Gaming Licences Issued

In 2011-12, the AGLC issued 14,625 charitable gaming licences compared to 13,874 in the previous year.

Charitable Gaming Licences Issued

	2011-12	2010-11	2009-10	2008-09	2007-08
Bingo	741	857	771	1,057	1,027
Casino	3,405	3,524	3,494	3,471	3,424
Pull-Ticket	161	241	192	283	198
Raffles over \$10,000	307	278	293	271	290
Raffles under \$10,000	10,011	8,974	7,463	6,791	6,326
Total Charitable Gaming Licences Issued	14,625	13,874	12,213	11,873	11,265

Licensed Gaming Facilities

There were 28 licensed bingo facilities, 24 charitable casino facilities and three Racing Entertainment Centres (RECs) in Alberta on March 31, 2012.

	2011-12	2010-11	2009-10	2008-09	2007-08
Association Bingo Facilities	27	28	31	33	40
Private Operator Bingo Facilities	1	1	1	1	2
Total Licensed Bingo Facilities	28	29	32	34	42
Traditional Casino Facilities	19	19	19	19	19
First Nations Casino Facilities	5	5	5	5	4
Total Charitable Casino Facilities	24	24	24	24	23
Total Racing Entertainment Centres	3	3	3	3	3

Number of Slot Machines

There were 13,305 slot machines located in casinos and Racing Entertainment Centres across Alberta on March 31, 2012.

	2011-12	2010-11	2009-10	2008-09	2007-08
Casinos					
Edmonton	4,492	4,381	4,247	4,145	3,976
Calgary	4,474	4,584	4,561	4,528	4,188
Other	3,504	3,478	3,230	3,171	2,860
Racing Entertainment Centres	835	835	835	836	835
Total	13,305	13,278	12,873	12,680	11,859

Number of Video Lottery Terminals (VLTs)/locations

In accordance with government policy, the AGLC maintains a Video Lottery Terminal (VLT) network of no more than 6,000 operational VLTs at any given time. There were 5,991 VLTs active and operating at 968 locations in Alberta on March 31, 2012. Video Gaming Entertainment Rooms (VGERs) represented 78 of the 968 locations on March 31, 2012. VLT retailers have between two to 10 VLTs, while VGERs, which have higher facility standards, have up to 25 VLTs.

Based on the recommendations from the 2001 Gaming Licensing Policy Review, a comprehensive review of policies that included stakeholder and public consultation, the AGLC continues to reduce accessibility to VLTs by reducing the number of locations providing VLTs to Albertans. Since 2001, the number of VLT locations in Alberta have been reduced by over 23 per cent.

	2011-12	2010-11	2009-10	2008-09	2007-08
Number of operating VLTs	5,991	5,982	5,964	5,964	5,986
VLT retail locations	968	1,000	1,032	1,030	1,051
Video Gaming Entertainment Rooms (VGERs) (included in total retail locations above)	78	75	71	70	67

Ticket Lotteries

Nine different ticket lottery products are available at any one of Alberta's 2,611 Lottery Ticket Centres.

Lottery Ticket Centres

	2011-12	2010-11	2009-10	2008-09	2007-08
Lottery Ticket Centres	2,611	2,562	2,466	2,392	2,392

Keno Facilities

Albertans were able to play Keno at 17 bingo halls, 18 casinos, and 53 Video Gaming Entertainment Rooms in 2011-12.

Facility	2011-12	2010-11	2009-10	2008-09	2007-08
Bingo halls offering Keno	17	18	18	21	25
Casinos and Racing Entertainment Centres offering Keno	18	18	13	13	12
Video Gaming Entertainment Rooms offering Keno	53	52	49	48	47
Total Keno Facilities	88	88	80	82	84

WHAT IS KENO?

Keno is a provincial ticket lottery product where draws are held every five minutes. Players pick from one (1) to ten (10) numbers from a field of one (1) to eighty (80). Twenty (20) winning numbers are drawn and broadcast to playing locations.

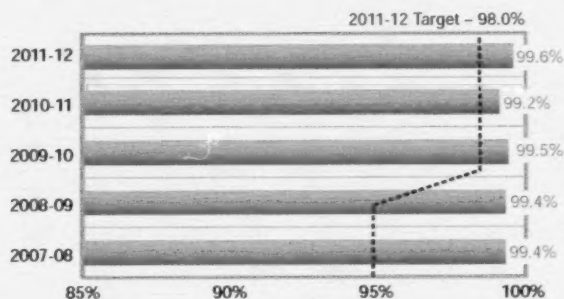
Goal 4 Performance Measures

4.a. Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy

The AGLC is responsible for licensing gaming facilities and charitable gaming activities (casino table games, pull-ticket sales, raffles and bingo events) which are governed by the *Criminal Code* (Canada), Alberta's *Gaming and Liquor Act*, and Gaming and Liquor Regulation. The AGLC regularly inspects licensed gaming facilities and events to ensure these gaming activities comply with legislation, regulation and policy. Most charitable gaming activities are conducted in compliance, however there are occasional occurrences of non-compliance such as charitable groups using gaming proceeds for inappropriate purposes or conducting raffles or pull-ticket sales in contravention of licence terms.

In 2011-12, 99.6 per cent of charitable gaming activities were conducted in compliance with legislation, regulation and policy. This exceeds the target of 98.0 per cent and is consistent with the results achieved in previous years. In 2011-12, 3,678 charitable gaming inspections were conducted, resulting in only 15 penalties being issued. An incident report is generally generated in the same year in which it was issued. However, occasionally an incident report is issued in one year and the penalty is issued in the subsequent year. For example, an incident report may be generated in 2010-11 and the penalty handed out in 2011-12. In this instance, the result is included as part of the 2011-12 calculation.

Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy



Source: Gaming Licensing System and Gaming Registration System.
 • Target was 95.0% in 2007-08 and 2008-09 and 98% in 2009-10, 2010-11 and 2011-12.

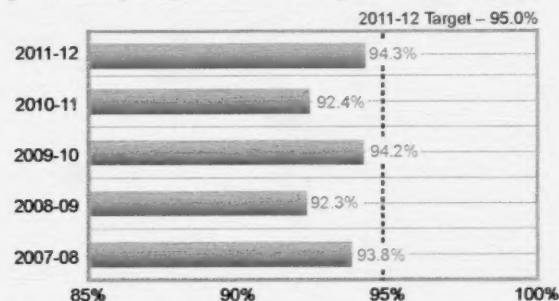
4.b. Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner

The AGLC oversees the conduct of legal gaming in Alberta. The public expects these gaming activities to be carried out fairly and responsibly. It is critical that Albertans' gaming experiences are consistent with these expectations.

Each year, the AGLC conducts a survey asking Albertans about their gaming experiences. Of those that played bingos, raffles, pull-tickets, Video Lottery Terminals, slot machines, table games or ticket lotteries, 94.3 per cent expressed satisfaction that the gaming activity they participated in was provided fairly and responsibly. This result is consistent with the results achieved in previous years and is slightly below the target of 95.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 48.

Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner



Source: 2011-12 Survey of Albertans – Leger Marketing.

• There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

4.c. Percentage of gaming integrity issues resolved within established time frames

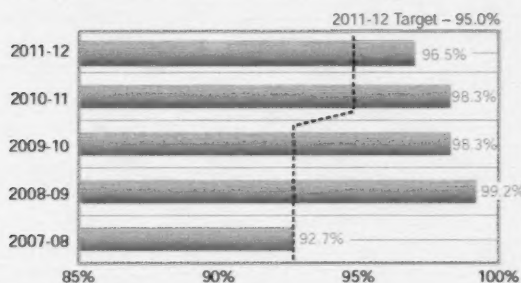
It is important to the AGLC that we remain responsive to client needs. If a player contacts us about a gaming integrity issue, we aim to resolve the issue as urgently as possible. In the past, gaming issues brought to our attention have involved:

- disputes about the operation of an electronic gaming device;
- credit disputes involving players or retailers; and
- possible illegal or unethical behaviour by gaming retailers or players.

The majority of these issues are resolved quickly by AGLC Inspectors. Issues that require extra attention are forwarded to the AGLC's Electronic Gaming Response Committee (EGRC). The EGRC's goal is to resolve issues within 30 days using a fair and impartial review process.

The EGRC reviewed 115 issues in 2011-12, compared to 180 in the previous year. 96.5 per cent were resolved within 30 days. This result exceeds the 2011-12 target of 95.0 and is consistent with the results obtained in previous years.

Percentage of gaming integrity issues resolved within established timeframes



Source: AGLC Gaming Products and Services Database.

- Target was 93% in 2007-08, 2008-09 and 2009-10 and 95% in 2010-11.

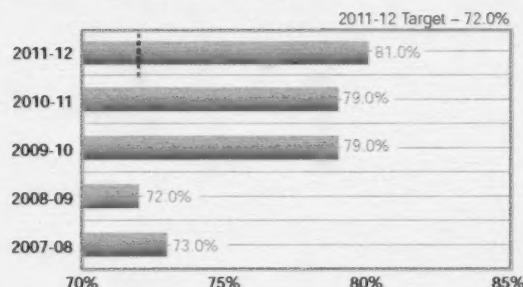
4.d. Percentage of Albertans satisfied with the conduct of legal gaming in Alberta

The AGLC is responsible for regulating Alberta's charitable gaming activities (casino table games, pull-ticket sales, raffles and bingo events) and conducting and managing provincial gaming activities (ticket lotteries and all electronic gaming devices). High levels of satisfaction with the conduct of legal gaming provide an indication that the actions of the AGLC are meeting Albertans' expectations.

81.0 per cent of Albertans expressed satisfaction with the conduct of legal gaming in Alberta in 2011-12. This result exceeds the target of 72.0 per cent and is consistent with the results achieved in previous years. Given the continued high performance of this measure, the AGLC raised the target to 79.0 per cent in the 2012-15 AGLC Business Plan which will be reported in the 2012-13 Annual Report.

If you would like detailed information on the Survey of Albertans, please refer to page 48.

Percentage of Albertans satisfied with the conduct of legal gaming in Alberta



Source: 2011-12 AGLC Survey of Albertans – Leger Marketing.

- This was a new measure for the AGLC in 2011-12 but was previously reported on in the Ministry Annual Report.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

Goal 5: Encourage the development of healthy, sustainable gambling environments that minimize gambling-related harm

Highlights

Collaboration with government, stakeholders and patrons

The AGLC continues to incorporate social responsibility into our operations and participates in a number of collaborative efforts with government, stakeholders and patrons. Our participation in joint initiatives includes:

- partnering with Alberta Health Services (AHS) and working closely with gaming industry stakeholders to develop a provincial strategy that promotes healthy choices and the responsible use of gaming products;
- working with national partners and monitoring gaming policy development in other jurisdictions;
- working together with post-secondary institutions and other stakeholders, identifying gaming research priorities;
- monitoring other gaming jurisdictions and academic research to identify effective public education and awareness initiatives, industry training, and liquor and gambling harm prevention initiatives;

- delivering the Voluntary Self-Exclusion program to patrons who request help to control their gambling behavior in conjunction with AHS and casino and Racing Entertainment Centre operators; and
- developing best practice programs in collaboration with other Canadian gaming jurisdictions and as a member of the national Interprovincial Lottery Corporation Responsible Gambling Committee.

Responsible and Problem Gambling Strategy

As part of the AGLC's efforts to encourage responsible, sustainable gambling environments and to minimize gambling-related harm, the AGLC is part of a committee that continually reviews emerging trends and issues surrounding responsible and problem gambling. *Both Sides of the Coin* is Alberta's Responsible and Problem Gambling Strategy. It is a joint initiative with AHS and fosters a shared understanding and commitment to priorities and actions to ensure that Albertans who choose to gamble have the resources they need to make informed gambling choices. As part of the Responsible and Problem Gambling Strategy, a provincial advisory group, the Responsible Gambling Advisory Committee, was formed. Comprised of organizations interested in responsible gambling, the committee helps inform, guide, monitor, and evaluate the implementation and results of the Responsible and Problem Gambling Strategy.

Responsible Gambling Information Centres

Alberta has 17 Responsible Gambling Information Centres (RGICs). Dedicated to providing gambling patrons with access to information and tips on developing responsible gambling behaviors, RGICs are staffed by consultants who provide referrals to counseling, information and assistance and assist facility staff with the identification and monitoring of problem gamblers. Consultants also administer the Voluntary Self-Exclusion program in their facility and provide patrons with information on how to stay within a budget. The centres have Player Awareness Terminals (PATs) which feature a series of interactive screens including a self-test and provide information and tips to patrons.

Responsible Gambling Information Centre (RGIC) Locations at March 31, 2012:

City	Facility
Calgary	Cash Casino Palace
	Deerfoot Inn and Casino
	Elbow River Casino
	Grey Eagle Casino
	Stampede Casino
	Casino Calgary
Camrose	Camrose Resort Casino
Cold Lake	Casino Dene
Edmonton	Century Casino
	Palace Casino
	River Cree Resort and Casino
	Casino Edmonton
Fort McMurray	Boomtown Casino
Grande Prairie	Great Northern Casino
Lethbridge	Casino Lethbridge
Red Deer	Cash Casino
	Jackpot Casino

RESPONSIBLE GAMBLING IS...

- Gambling as a form of entertainment, with associated costs, and not a way to make money.
- Gambling for a set duration of time, setting a budget, and sticking to it.
- Being able to recognize that uncontrolled gambling can create problems, for the gambler, for others in their social network, and for the community.

Most people would agree that gambling is fun. As a form of entertainment, gambling can be an enjoyable activity, like going to the movies or out for dinner. To help ensure that gambling remains a source of entertainment, here are a few tips:

- Remember, the house always has the advantage.
- Before playing, educate yourself on how the game works.
- Set a budget and stick to it.
- Do not chase losses, accept them as a cost for the entertainment.
- Take frequent breaks.
- Use only money from your entertainment budget; do not borrow money.
- Balance gambling with your other leisure choices.
- Know the warning signs of problem gambling.

For more information visit setalimitalberta.ca.

Responsible Gambling Awareness Week

The year 2011 marked the fifth anniversary for Alberta's Responsible Gambling Awareness Week (RGAW). The AGLC and its gambling industry and government partners, reminded patrons of casinos, Racing Entertainment Centres, Video Lottery Terminal (VLT) venues and bingo halls that gambling is a form of entertainment and should not be viewed as a way to make money. A new Set A Limit Alberta (setalimitalberta.ca) website and new Player Awareness Terminals (PATs) were launched during the RGAW. Both the website and PATs underwent a major redesign to enhance their functionality. New and improved responsible gambling tools were added to the suite of responsible gambling tools available to assist patrons in making informed decisions about their gambling.

Voluntary Self-Exclusion Program

In Alberta, people who feel that they are having trouble controlling their gambling can choose to enroll in the self-exclusion program at casinos and Racing Entertainment Centres (RECs). Through this program, the participant voluntarily bans him/herself from all Alberta casinos and RECs for a specified period of time selected by the participant (ranging from six months to five years). The agreement may be renewed upon agreement expiry. Because the purpose of the program is to help participants avoid the gambling opportunities available in casinos and RECs, any detected attempts by participants to enter a casino or REC will result in removal from the facility and if the violations persist, fines and/or dismissal from the program. Participants are required to complete a mandatory responsible and problem gambling workshop prior to the expiry of their agreement.

GamTalk

GamTalk is an online community for people with gambling issues to share their experiences and ideas. It was launched in conjunction with other jurisdictions and is Canada's first moderated, national support forum. Counselors monitor the site 24/7 and if a crisis or any other situation occurs, the counselors are there to support users.

SMART Training Programs

The AGLC's SMART training programs educate and inform people who work in the gaming and liquor industries about responsible gambling and the responsible service, sale and consumption of liquor. Gaming industry SMART training programs are *Deal Us In* (casino and Racing Entertainment Centre staff), *Reel Facts* (Video Lottery Terminal [VLT] Retailers) and *A Good Call* (bingo hall staff).

Individuals requiring training are now required to do so within 30 days from the day they are hired. Certification is valid for five years from the date of certification. All SMART training programs are offered through facilitated courses and online at smartprograms.aglc.ca.

SMART Training Program Completions by Program

	2011-12	2010-11	2009-10	2008-09	2007-08
Deal Us In (Casino and Racing Entertainment Centres)	2,832	2,920	1,710	1,848	1,611
Reel Facts (Video Lottery Terminal [VLT] Retailers)	3,609	3,438	5,533	1,724	1,200
A Good Call (Bingo Halls)	230	232	137	125	512

Goal 5 Performance Measures

5.a. Percentage of Albertans aware of prevention and treatment programs for problem gambling

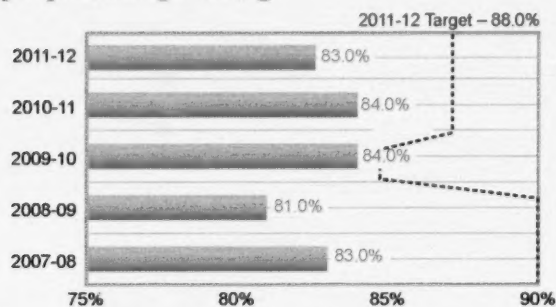
Through its daily activities, the AGLC works diligently to promote responsible gambling in Alberta. The AGLC regularly collaborates with the gaming industry, Alberta Health Services (AHS) and other stakeholders to develop, implement and evaluate initiatives that encourage responsible gambling. The AGLC also ensures that educational materials are available to Albertans so that they are educated and informed about responsible gambling and problem gambling to ensure they have the information they need to make reasonable decisions about gambling. The AGLC also ensures that Albertans are informed that treatment options are available. Information is communicated to Albertans in a variety of ways including television, radio and print advertising. Other resources such as brochures and self-help cards are distributed in gaming venues.

Each year we survey Albertans to ask if they have come into contact with this type of information.

In 2011-12, 83.0 per cent of Albertans indicated they had heard, seen or read material related to the prevention and treatment programs for problem gambling. This result is slightly lower than the results obtained in previous years and is below the target of 88.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 48.

Percentage of Albertans aware of prevention and treatment programs for problem gambling



Source: 2011-12 Survey of Albertans – Leger Marketing.

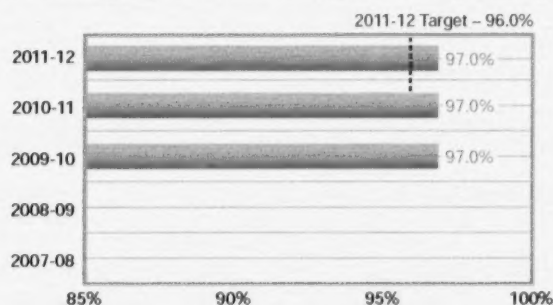
- Target was 88% in 2010-11, 85% in 2009-10 and 90% in 2007-08 and 2008-09.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

5.b. Percentage of Albertans that gamble responsibly

The AGLC is committed to encouraging healthy sustainable gambling environments that minimize gambling-related harms. We engage in a number of activities in this regard. To measure our progress, beginning in 2009-10, we began surveying Albertans about their gambling behaviours. Survey questions and result indices were based on the internationally-recognized Problem Gambling Severity Index (PGSI). Based on the PGSI, 97.0 per cent of Albertans self-reported that they gamble responsibly. This result is consistent with the result obtained in 2010-11 and meets the target of 96.0 per cent.

If you would like detailed information on the Survey of Albertans – Social Responsibility, please refer to page 49.

Percentage of Albertans that gamble responsibly



Source: 2011-12 Survey of Albertans – Social Responsibility – Leger Marketing

- This was a new performance measure in 2011-12; therefore targets are not listed for prior years.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

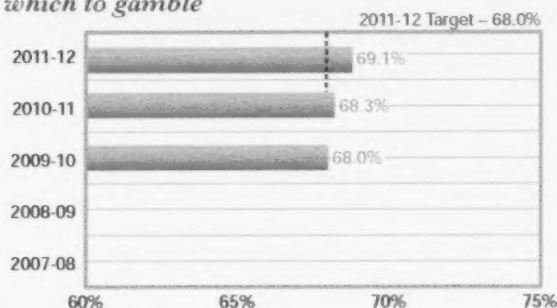
5.c. Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble

The AGLC undertakes a number of initiatives to ensure licensed gaming facilities in Alberta are safe and responsible environments in which to gamble. Each year we survey Albertans to ask how satisfied they are that licensed gaming venues are safe and responsible environments in which to gamble.

69.1 per cent of Albertans were satisfied in 2011-12 that licensed gaming venues were safe and responsible environments in which to gamble. This result is consistent with the result achieved in 2010-11 and meets the target of 68.0 per cent.

If you would like detailed information on the Survey of Albertans, please refer to page 48.

Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble



Source: 2011-12 Survey of Albertans – Leger Marketing

- This was a new performance measure in 2011-12; therefore targets are not listed for prior years.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.
- The results for 2009-10 and 2010-11 are based on one survey question: "How satisfied are you that (Location) are a safe and responsible environment in which to gamble?" Locations were: licensed bingo facilities, casinos, bars and lounges, and Racing Entertainment Centres (RECs).
- In 2011-12, the survey methodology was refined and the 2011-12 results are based on an index of two questions: "How satisfied are you that (Location) are a safe environment in which to gamble?" and "How satisfied are you that (Location) are a responsible environment in which to gamble." Locations were: licensed bingo facilities, casino, bars and lounges, and Racing Entertainment Centres (RECs).

Goal 6: Sustain revenues from gaming by anticipating and responding to changes in the environment

Highlights

Provincial Gaming Summary

Gross profit from ticket lotteries, slot machines, Video Lottery Terminals (VLTs) and electronic bingo was \$2.19 billion in 2011-12, compared to \$2.14 billion the previous year. Of this amount, costs of commissions for operators and charities and federal payments were \$526 million. The AGLC's gaming-related operating costs were \$194 million. The net amount, almost \$1.5 billion, was transferred to the Alberta Lottery Fund. The following table provides a breakdown for each gaming activity.

(\$ millions)	Slot Machines	VLTs	Ticket Lotteries	Electronic Bingo	2011-12 Total	2010-11 Total
Revenues	\$15,615.9	\$7,428.2	\$744.2	\$40.0	\$23,828.3	\$22,810.3
Prizes	14,394.8	6,834.4	380.8	27.6	21,637.6	20,674.0
Gross Profit	1,221.1	593.8	363.4	12.4	2,190.7	2,136.3
Commissions/Federal Payments	363.7	94.2	63.9	4.0	525.8	507.7
Net Revenue	857.4	499.6	299.5	8.4	1,664.9	1,628.6
Expenses					(193.9)	(187.9)
Net Operating Results – transferred to the Alberta Lottery Fund					\$1,471.0	\$1,440.7

Alberta Lottery Fund

The Alberta Lottery Fund supports programs, projects and foundations administered by various government ministries to benefit Alberta's communities. Net proceeds from provincial gaming activities (Video Lottery Terminals [VLTs], slot machines, electronic bingo, and ticket lotteries) are deposited in the Alberta Lottery Fund. In 2011-12, the Alberta Lottery Fund received almost \$1.5 billion in proceeds from provincial gaming. The details of how these funds were used by the ministries are outlined in their annual reports. Expenditures from the Alberta Lottery Fund are authorized annually by the Provincial Legislature. Find out more about the Alberta Lottery Fund at albertalotteryfund.ca.

Charitable Gaming Summary

Licensed charitable and religious groups earned almost \$314 million in 2011-12, compared to almost \$300 million the previous year, from charitable gaming events.

	2011-12							2010-11	
	Licences ¹	Total Gross (\$000)	Prizes/ Winnings (\$000)	Expenses ² (\$000)	Net Revenue (\$000)	Electronic Gaming Proceeds (\$000)	Keno Proceeds (\$000)	Proceeds to Charity (\$000)	Proceeds to Charity (\$000)
Casino	3,470	\$1,001,405	\$814,307	\$121,782	\$65,316	\$173,763	\$28	\$239,107	\$230,572
Raffles ³	8,217	139,013	61,024	34,025	43,964			43,964	39,427
Pull-Ticket ⁴	417	83,351	58,028	5,915	19,408			19,408	17,905
Bingo ⁵	1,382	123,949	80,791	40,441	2,717	8,069	307	11,093	11,637
Total	13,486	\$1,347,718	\$1,014,150	\$202,163	\$131,405	\$181,832	\$335	\$313,572	\$299,541

1. Bingo and pull-ticket licences are generally in effect for two years. Licences for casinos and raffles are generally for a single event.
2. Expenses include fixed fees/event expenses (including licence fees), pool expenses, and electronic bingo net sales (sales less prizes). After program expenses are paid, electronic bingo net sales are returned to charities in the electronic gaming proceeds column and proceeds to charity columns.
3. Includes prior year information for raffles with gross sales over \$10,000 and current year information for raffles with gross sales under \$10,000.
4. Includes current year information for pull-tickets sold at licensed bingo facilities and prior year information for pull-tickets sold at all other locations.
5. Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under \$2,500.

Gaming Technology Modernization

From time-to-time, the AGLC upgrades Alberta's gaming products and networks to ensure they remain sustainable and that the gaming products continue to provide Albertans with an entertaining gaming experience. In 2011-12, work continued on the replacement of Alberta's aging Video Lottery Terminal (VLT) network. The new gaming terminals will be installed beginning in 2012-13.

Video Lottery Terminals

Total revenues from Video Lottery Terminals (VLTs) were \$7.4 billion in 2011-12, compared to \$7.4 billion the previous year. The AGLC pays a 15 per cent commission on gross profit to VLT retailers for the services provided. The remaining 85 per cent is transferred to the Alberta Lottery Fund after AGLC operating costs are deducted.

VLT Net Revenue

(\$ thousands)	2011-12	2010-11	2009-10	2008-09	2007-08
Revenues	\$7,428,194	\$7,365,313	\$7,598,298	\$8,884,631	\$10,553,986
Prizes	6,834,399	6,779,822	6,996,360	8,178,842	9,716,012
Gross Profit	593,795	585,491	601,938	705,789	837,974
Commissions/Federal Payments	94,222	92,757	90,771	113,850	135,203
Net Revenue	\$499,573	\$492,734	\$511,167	\$591,939	\$702,771

VLT REVENUE

2011-12

Credits played less credits won is used to determine revenue as it is more representative of the actual transactions taking place during each play.

VLTs are programmed to payout, on average, 92 per cent of all credits (money) wagered. Ultimately, what players walk away with in winnings (cash) depends on their behaviour (how long they played or how much money they put in).

The following tables depict how credits played and won compares to cash in and out.

Credits

(\$ thousands)

Credits Played	\$7,428,194
Credits Won (Prizes)	\$6,834,399
Revenue	\$593,795
Payout Percentage:	
Credits Won/Credits Played	92%

Cash

(\$ thousands)

Cash In	\$2,075,619
Cash Out	\$1,482,259
Expired Validations	\$435
Revenue	\$593,795
Cashout Percentage:	
Cash Out/Cash In	71%

Slot Machines

Total revenues from slot machines were \$15.6 billion in 2011-12, compared to \$14.6 billion the previous year. Traditional charities and Host First Nation licensed charities receive a 15 per cent commission on gross profit from slot machines during their casino events. Traditional casino operators, Host First Nations (casino facility operator) and Racing Entertainment Centre operators also earn a 15 per cent commission. The remaining 70 per cent is transferred to the Alberta Lottery Fund after AGLC operating costs are deducted.

Slot Machine Net Revenue

(\$ thousands)	2011-12	2010-11	2009-10	2008-09	2007-08
Revenues	\$15,615,948	\$14,610,556	\$14,621,366	\$15,495,445	\$15,129,177
Prizes	14,394,802	13,458,398	13,457,800	14,263,804	13,927,249
Gross Profit	1,211,146	1,152,158	1,163,566	1,231,641	1,201,928
Commissions/Federal Payments	363,718	343,148	339,650	369,783	361,323
Net Revenue	\$857,428	\$809,010	\$823,916	\$861,858	\$840,605

Electronic Bingo

The AGLC continues to work with Bingo Alberta to sustain bingo revenues for charities in Alberta. There are 19 bingo halls in Alberta that offer electronic bingo. In addition to playing paper bingo, players can play bingo electronically on wireless electronic DIGI 2 devices. Additional personal play games can be played separately from the regular play-along bingo game and are one of the features available on the DIGI 2 devices in some bingo halls in Alberta. The AGLC has been testing the personal play functionality in Calgary and Medicine Hat bingo halls.

Total revenues from electronic bingo were \$40.0 million in 2011-12, compared to \$38.2 million the previous year. Licensed charities receive a 15 per cent commission on gross profit from electronic bingo during their bingo events. Bingo associations and private operators (bingo facility operators) also earn a 15 per cent commission. The remaining 70 per cent is returned to the licensed charities through the Alberta Lottery Fund after AGLC operating costs are deducted.

(\$ thousands)	2011-12 ¹	2010-11 ¹	2009-10	2008-09	2007-08
Revenues	\$39,953	\$38,209	\$34,469	\$35,718	\$42,019
Prizes	27,553	26,557	23,562	24,786	29,105
Gross Profit	12,400	11,652	10,907	10,932	12,914
Commissions/Federal Payments	3,900	3,669	3,367	3,501	4,129
Net Revenue	\$8,500	\$7,983	\$ 7,540	\$ 7,431	\$8,785

1. The above data for 2010-11 and 2011-12 does not agree to the data in Notes 12 and 13 of the AGLC financial statements. In the AGLC financial statements, Keno commissions are included with electronic bingo results due to IFRS reporting requirements; Keno commissions are not included in this table and are included with ticket lottery operating results shown on page 44.

DIAMOND MILLIONS

Three lucky Albertans each won over \$1 million on the Diamond Millions slot machine game in 2011-12.

Facility	Date	Amount Won
Apex Casino	June 20, 2011	\$1,323,952
Casino Dene	November 11, 2011	\$1,417,443
Casino Yellowhead	March 16, 2012	\$1,346,028

Ticket Lotteries

Total revenues from ticket lotteries were \$744 million in 2011-12, compared to \$796 million the previous year. The AGLC pays a 5 per cent commission on net sales and a 2 per cent commission on redemptions to ticket lottery retailers for the services provided. Retailers earn an additional tiered 0.5-3 per cent commission on sales greater than \$54,000, based on performance. The remaining amount is transferred to the Alberta Lottery Fund after AGLC operating costs are deducted.

Ticket Lottery Net Revenue

(\$ thousands)	2011-12 ¹	2010-11 ¹	2009-10	2008-09	2007-08
Revenues	\$744,218	\$796,190	\$626,707	\$632,172	\$604,193
Prizes	380,858	409,176	317,794	327,382	320,722
Gross Profit	363,360	387,014	308,913	304,790	283,471
Commissions/Federal Payments	63,978	68,130	54,040	54,671	52,276
Net Revenue	\$299,382	\$318,884	\$254,873	\$250,119	\$231,195

1. The above data for 2010-11 and 2011-12 does not agree to the data in Note 16 of the AGLC financial statements. In the AGLC financial statements, Keno commissions are included with electronic bingo results due to IFRS reporting requirements; Keno commissions are included in this table and are not included with electronic bingo operating results shown on page 43.

Ticket Lottery Sales by Type

Ticket Lottery Sales by Type (\$ thousands)	2011-12	2010-11	2009-10	2008-09	2007-08
Lotto 6/49	\$153,242	\$147,724	\$199,677	\$227,613	\$211,105
Instant	165,478	158,663	144,993	162,450	162,425
LottoMax ¹	244,598	308,707	82,923	-	-
Extra	69,275	74,328	63,108	65,587	62,245
Sport Select	56,547	51,473	47,962	47,726	44,764
Western 6/49	34,713	32,582	32,227	32,450	30,791
Pick 3	14,822	13,960	13,429	13,639	13,221
Keno	3,149	2,975	3,139	3,322	3,959
Pay Day	2,394	2,701	3,785	3,842	8,135
Millionaire Life ²	-	3,077	-	5,177	6,061
Super 7 ¹	-	-	35,464	70,366	61,487
Total	\$744,218	\$796,190	\$626,707	\$632,172	\$604,193

1. Super7 was replaced with LottoMax in September 2009.
2. Millionaire Life was not offered in 2009-10 and 2011-12.

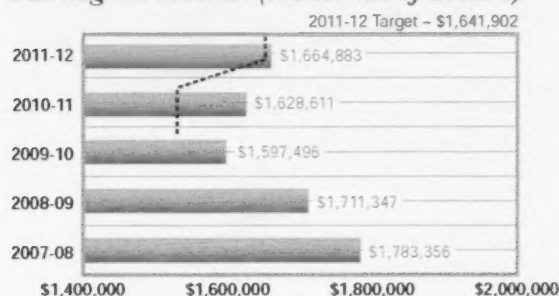
Goal 6 Performance Measures

6.a. Gaming net revenue (thousands of dollars)

In Alberta, the province's share of net proceeds from Video Lottery Terminals, slot machines, electronic bingo and ticket lotteries is placed in the Alberta Lottery Fund. These revenues support thousands of volunteer, public and community-based initiatives in ways that enhance the quality of life for all Albertans.

As the number of adults living in the province continues to increase, so does the net proceeds from gaming. In 2011-12, the total net revenue from gaming was \$1,665 million compared to \$1,629 million the previous year and exceeding the target of \$1,642 million.

Gaming net revenue (thousands of dollars)



Source: Audited AGLC Financial Statements.

- In 2011-12, Gross Profit minus Commissions and Federal Payments totaled \$1.37 billion (see Note 12).
- WCLC income of \$299 million (see Note 16) was added to obtain gaming net revenue.
- This was a new performance measure in 2010-11, therefore targets for years prior to 2010-11 are not listed.
- In 2010-11, the target was \$1,533.4 million.

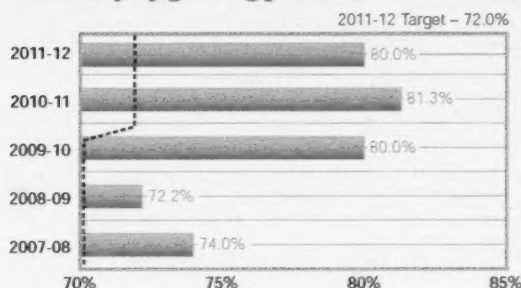
6.b. Percentage of Albertans satisfied with the availability of gaming products and activities

Gaming benefits Albertans in many different ways. However, the AGLC recognizes that a small percentage of Albertans may experience some problems with their gambling. As such, the AGLC continuously strives to achieve a balance between social responsibility and economic benefit.

One of the ways in which the AGLC ensures that balance, is to monitor Albertans' satisfaction with the availability of gaming products and activities. 80.0 per cent of Albertans were satisfied with the availability of gaming products and activities in 2011-12. This exceeds the target of 72.0 per cent and is consistent with the results obtained in the last two years.

If you would like detailed information on the Survey of Albertans, please refer to page 48.

Percentage of Albertans satisfied with the availability of gaming products and activities



Source: 2011-12 Survey of Albertans – Leger Marketing.

- The target was 70% in 2007-08, 2008-09, 2009-10 and 72% in 2010-11.
- There is a 95 per cent certainty that the results are accurate to +/- 3.1 per cent.

6.c. Percentage of retailers satisfied with AGLC services related to VLTs, slot machines, electronic bingo and ticket lotteries

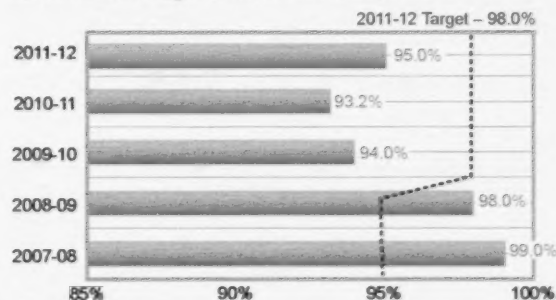
In 2011-12, AGLC staff responded to over 108,000 calls to the hotline and 240,834 field technician service and project calls were made to casinos, Racing Entertainment Centres, Video Lottery Terminal premises and lottery ticket centres across Alberta. The technicians' work included activities such as installing, removing, maintaining and upgrading gaming equipment.

AGLC staff strive to provide customer service according to the values of the AGLC organization – with Foresight, Accountability, Integrity and Respect – with each phone call they answer or each service call they make.

Each year, the AGLC surveys its clients to determine what things are working well and what could be improved. 95.0 per cent of retailers expressed satisfaction with the AGLC's services in 2011-12. Since the result did not meet the target of 98.0 per cent, the AGLC will be analyzing the survey results and fine tuning processes and procedures as required.

If you would like detailed information on the Survey of Retailers, please refer to page 50.

Percentage of retailers satisfied with AGLC services related to VLTs, slot machines, electronic bingo and ticket lotteries



Source: 2011-12 Survey of Retailers – Leger Marketing.

- The target was 98.0% in 2009-10 and 2010-11 and was 95.0% in 2007-08 and 2008-09.
- There is a 95 per cent certainty that the results are accurate to +/- 3.3 per cent.



PERFORMANCE MEASURES

Methodology for Survey-based Questions



PERFORMANCE MEASURES METHODOLOGY FOR SURVEY-BASED QUESTIONS

The AGLC contracts an independent professional survey company each year to conduct public opinion and client satisfaction surveys on its behalf. This section provides details on each survey and their corresponding performance measures.

SURVEY OF ALBERTANS

The AGLC measures public satisfaction through an annual survey of a representative sample of Albertans. Leger Marketing conducted the survey on the AGLC's behalf in 2011-12. A random and representative sample of Albertans was established based on Statistics Canada census data made available in 2011. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2011 population estimates. The sample size was 1,000 adult Albertans, providing a margin of error no greater than ± 3.1 per cent at the 95 per cent confidence level.

The response options for the 2011-12 survey were modified slightly to decrease the length of the survey from a scale of seven to a scale of five.

The Survey of Albertans gathers results for the following performance measures:

1.b – Percentage of Albertans satisfied that liquor is provided in a responsible manner

The results for this performance measure were calculated by using a weighted average for the following:

- respondents' level of satisfaction with the sale of liquor in a responsible manner
- respondents' level of satisfaction with the service of alcohol in a responsible manner

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above questions.

1.c – Percentage of Albertans satisfied with the conduct of the liquor business in Alberta.

The results for this performance measure were calculated by obtaining responses to the following question: "Now thinking about the liquor business in Alberta, overall, how satisfied are you with the way the liquor business is conducted in Alberta?"

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question.

2.a – Percentage of Albertans aware of prevention and treatment programs for alcohol abuse

The results for this performance measure were calculated by obtaining responses to the following question: "Have you ever heard, seen or read anything about prevention and treatment programs for alcohol abuse?"

Respondents were considered aware if they responded 'yes'. Alternate responses were 'no' or 'don't know'.

2.c – Percentage of Albertans satisfied that licensed premises in Alberta are safe and responsible environments in which to consume alcohol

The results for this performance measure were calculated by using a weighted average for the following:

- respondents' level of satisfaction with safety in bars, lounges and restaurants
- respondents' level of satisfaction that liquor is served responsibly in bars, lounges and restaurants in Alberta

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above questions.

4.b – Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and in a responsible manner

The results for this performance measure were calculated by determining who had participated in the following gaming activities:

- a) Bingos
- b) Raffles, including small raffles or larger raffles benefiting things like hospitals
- c) Pull-tickets, break-opens or Nevada tickets
- d) Video Lottery Terminal or VLT games in bars or lounges or casinos
- e) Slot machine games in casinos or racetracks
- f) Table games, for example blackjack and roulette at casinos
- g) Lottery tickets, for example, Lotto 6/49, LottoMax, scratch and instant win tickets, or Sport Select

If they had purchased or participated in one of those gaming activities, respondents were asked: *"How satisfied are you that the [gaming activity (a to g) above] was provided fairly and in a responsible manner?"*

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question. Responses were weighted by participation.

4.d – Percentage of Albertans satisfied with the conduct of the legal gaming in Alberta

The results for this performance measure were calculated by obtaining responses to the following question: *"Now thinking about the gaming entertainment products and activities that we have just mentioned, overall, how satisfied are you with the conduct of legal gaming in Alberta?"*

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question.

5.a – Percentage of Albertans aware of prevention and treatment programs for problem gambling

The results for this performance measure were calculated by obtaining responses to the following question: *"Have you ever heard, seen or read anything about prevention and treatment programs for problem gambling?"*

Respondents were considered aware if they responded 'yes'. Alternate responses were 'no' or 'don't know'.

5.c – Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble

The results for this performance measure were calculated using an index of two questions: *"How satisfied are you that (Location) are a safe environment in which to gamble?"* and *"How satisfied are you that (Location) are a responsible environment in which to gamble?"*

Locations were: licensed bingo facilities, casinos, bars and lounges, and Racing Entertainment Centres (RECs). Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied'.

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied'.

5.b – Percentage of Albertans satisfied with the availability of gaming products and activities

The results for this performance measure were calculated by obtaining responses to the following question: *"Thinking about legal gaming entertainment options in Alberta, overall, how satisfied are you with the availability of gaming entertainment products and activities provided to Albertans?"*

Respondents were considered satisfied if they responded 'very satisfied' or 'somewhat satisfied' to the above question.

SURVEY OF ALBERTANS – SOCIAL RESPONSIBILITY

Each year, the AGLC contracts with an independent professional survey firm to conduct a survey to collect Albertans' self-reported behaviours with respect to gambling and alcohol consumption. In 2011-12, the survey was conducted by Leger Marketing. A random and representative sample of Albertans was established based on Statistics Canada census data made available in 2011. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2011 population estimates. The sample size was 1,000 adult Albertans, providing a margin of error in the results no greater than ± 3.1 per cent at the 95 per cent confidence level.

The Survey of Albertans – Social Responsibility supports the following performance measures:

2.b – Percentage of Albertans that drink alcohol in moderation

The results for this performance measure were calculated by using the Alcohol Use and Disorders Identification Test (AUDIT) developed by the World Health Organization (WHO). Answers were coded on a scale from zero to four, where zero represents the least risk activity/response and four represents the response associated with the highest risk activity/response. Respondents were considered to drink alcohol in moderation if they had an overall score of seven or below.

Questions in the AUDIT are:

Thinking of the last 12 months...

- How often do you have a drink containing alcohol?
- How many drinks containing alcohol do you have on a typical day when you are drinking?
- How often do you have six or more drinks on one occasion?
- How often during the last year have you found that you were not able to stop drinking once you had started?
- How often during the last year have you failed to do what was normally expected from you because of drinking?
- How often during the last year have you needed a first drink in the morning to get yourself going after a heavy drinking session?

- How often during the last year have you had a feeling of guilt or remorse after drinking?
- How often during the last year have you been unable to remember what happened the night before because you had been drinking?
- Have you or someone else been injured as a result of your drinking?
- Has a relative or friend or a doctor or another health worker been concerned about your drinking or suggested you cut down?

5.b – Percentage of Albertans that gamble responsibly

The results for this performance measure were calculated by using the Problem Gambling Severity Index (PGSI) developed by Garry Smith and Harold Wynne. Answers were coded on a scale from zero to three, where zero represents the least risk/problem activity/response and three represents the response associated with the highest risk/problem activity/response. The higher the score the greater the risk that problem gambling is a problem. Respondents were considered to gamble responsibly if they had an overall score of two or below.

Questions in the PGSI are:

Thinking of the last 12 months...

- Have you bet more than you could really afford to lose?
- Still thinking about the last 12 months, have you needed to gamble with larger amounts of money to get the same feeling of excitement?
- When you gambled, did you go back another day to try to win back the money you lost?
- Have you borrowed money or sold anything to get money to gamble?
- Have you felt that you might have a problem with gambling?
- Has gambling caused you any health problems, including stress or anxiety?
- Have people criticized your betting or told you that you had a gambling problem, regardless of whether or not you thought it was true?
- Has your gambling caused any financial problems for you or your household?
- Have you felt guilty about the way you gamble or what happens when you gamble?

SURVEY OF LIQUOR INDUSTRY CLIENTS

Satisfaction of liquor industry clients is measured through a survey of liquor licensees and registered liquor agents. A random selection of 366 of 6,923 liquor licensees and 157 of 323 registered liquor agencies were drawn from a list of all active licensees and registrants. A census approach was taken to survey registered liquor agencies that provide quarterly forecasts to the AGLC.

The sample size was sufficient to ensure an overall margin of error at a 95 per cent confidence level at ± 4.0 per cent.

The Survey of Liquor Industry Clients supports the following performance measure:

3.b – Percentage of industry clients satisfied with the level of service provided by the AGLC

The results for this performance measure were calculated by obtaining responses to the following question: "Overall, how satisfied are you with the liquor related services provided by the AGLC over the past 12 months?"

Respondents were considered satisfied if they responded 'very satisfied', 'satisfied' or 'somewhat satisfied' to the above question.

SURVEY OF RETAILERS

Each year, satisfaction of retailers is measured through a survey of Video Lottery Terminal operators, lottery ticket retailers, casino/slot machine operators, DIGI operators and Keno operators. A random selection of 277 of 981 Video Lottery Terminal operators and 335 of 2,600 lottery ticket retailers was drawn from the most recent listing available. A census survey approach was utilized with casino/slot machine operators, DIGI operators and Keno operators due to their relatively small sample sizes.

The overall sample size was sufficient to ensure an overall margin of error at a 95 per cent confidence level at ± 3.3 per cent.

The Survey of Retailers supports the following performance measure:

6.c – Percentage of retailers satisfied with AGLC services related to VLTs, slot machines, electronic bingo, and ticket lotteries

The results for this performance measure were calculated by using a weighted average for the following:

- respondents' level of satisfaction with the hotline services provided by the AGLC/WCLC; and
- respondents' level of satisfaction with the field repair services provided by the AGLC/eQube.

Respondents were considered satisfied if they responded 'very satisfied', 'satisfied' or 'somewhat satisfied' to the above questions.



INTERNATIONAL FINANCIAL REPORTING STANDARDS



INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards (IFRS) have become the global standard for the preparation of public company financial statements. These standards were developed by the International Accounting Standards Board, an independent accounting standard-setting body consisting of members from many different countries.

BENEFITS OF IFRS

The adoption of a single set of reporting standards benefits both businesses and investors by ensuring financial statements are high quality, consistent and comparable. IFRS is already the accounting standard for many countries, including Australia, South Africa and countries within the European Union. All publicly accountable enterprises in Canada are required to transition to IFRS effective with fiscal years beginning on or after January 1, 2011.

The AGLC is a government business enterprise and is required to follow accounting standards for publicly accountable enterprises. Therefore, effective April 1, 2011, the AGLC adopted IFRS. The AGLC audited financial statements appearing in this report have been prepared under IFRS, including the restated prior year comparative data.

SIGNIFICANT AREAS OF IMPACT

The adoption of IFRS has impacted the AGLC's external financial reporting in a number of ways. For example, the liquor warehouse leased to a private warehouser is now classified as an investment property since the AGLC owns the property but does not occupy it.

With regard to gaming, the financial results from the AGLC portion of the Western Canada Lottery Corporation ticket lottery operations (revenue, prizes, commissions, federal payments, and operating expenses) is reported as net results only, whereas the revenue and expenditures had previously been proportionately consolidated into the AGLC's financial statements.

Also, the AGLC is now required to record a provision for unfunded pension liability, representing the AGLC's estimated share of the unfunded deficits of the various multi-employer pension plans it participates in.

ALBERTA LOTTERY FUND

The Alberta Lottery Fund (ALF) is not required to adopt IFRS. The ALF audited financial statements continue to be prepared using Canadian Public Sector Accounting Standards.



FINANCIAL STATEMENTS

Alberta Gaming and Liquor Commission



INDEPENDENT AUDITOR'S REPORT



To the Members of the Alberta Gaming and Liquor Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Gaming and Liquor Commission which comprise the balance sheets as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and cash flows for the year ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Gaming and Liquor Commission as at March 31, 2012, March 31, 2011 and April 1, 2010, and its financial performance and its cash flow for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

Original signed by

Merwan N. Saher, FCA
Auditor General

June 5, 2012
Edmonton, Alberta

BALANCE SHEET

(thousands of dollars)

At March 31	2012	2011	April 1, 2010
ASSETS			
Current Assets			
Cash and cash equivalents (note 4)	\$ 277,007	\$ 326,265	\$ 317,799
Accounts receivable	43,982	38,520	33,473
Prepaid expenses and inventories (note 5)	11,626	9,658	10,311
	<u>332,615</u>	<u>374,443</u>	<u>361,583</u>
Property, Plant and Equipment (note 6)	158,768	168,683	176,023
Computer Software (note 7)	3,136	1,432	629
Investment Property (note 8)	5,836	6,344	6,831
Investment in Western Canada Lottery Corporation (note 16)	35,468	28,782	25,387
	<u>\$ 535,853</u>	<u>\$ 579,684</u>	<u>\$ 570,453</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 134,411	\$ 148,177	\$ 146,813
Due to the Alberta Lottery Fund (note 9)	100,451	80,549	74,862
	<u>234,862</u>	<u>228,726</u>	<u>221,675</u>
Due to General Revenues (note 10)	258,306	322,188	323,413
Provision for Loss on Leased Properties (notes 17 and 18)	1,943	2,189	2,431
Accumulated Other Comprehensive Income			
Provisions for pension liability (note 3d)	40,742	26,581	22,934
	<u>\$ 535,853</u>	<u>\$ 579,684</u>	<u>\$ 570,453</u>

The accompanying notes are part of these financial statements.

Approved by:

BOARD

Original signed by

Marguerite J. Trussler
Chairperson of the Board

MANAGEMENT

Original signed by

Gill Hermanns
Acting Chief Executive Officer

STATEMENT OF OPERATIONS

(thousands of dollars)

For the year ended March 31	2012	2011
Liquor Revenue	\$ 2,149,205	\$ 2,033,482
Liquor Cost of Sales	(1,440,444)	(1,344,426)
	708,761	689,056
Gaming Revenue (note 12)	1,827,341	1,749,301
	2,536,102	2,438,357
Commissions and Federal Payments (note 13)	(461,915)	(439,648)
Operating Expenses (note 14)	(177,488)	(172,478)
PROFIT FROM OPERATIONS FOR THE YEAR	1,896,699	1,826,231
Other Revenue (note 15)	13,262	13,888
Income from Western Canada Lottery Corporation (note 16)	262,332	283,980
NET OPERATING RESULTS (notes 3i, 9 and 10)	\$ 2,172,293	\$ 2,124,099
OTHER COMPREHENSIVE INCOME (LOSS)		
Loss on Pension Liability	(14,161)	(3,647)
TOTAL COMPREHENSIVE INCOME (notes 3i, 9 and 10)	\$ 2,158,132	\$ 2,120,452

The accompanying notes are part of these financial statements.

STATEMENT OF CASH FLOWS

(thousands of dollars)

For the year ended March 31	2012	2011
CASH FROM OPERATIONS		
Net operating results for the year	\$ 2,172,293	\$ 2,124,099
Decrease in provision for loss on leased properties	(246)	(242)
Amortization	42,734	47,619
Loss on disposal of property, plant and equipment	3,807	2,100
Net change in non-cash working capital balances	(21,196)	(3,030)
	<u>2,197,392</u>	<u>2,170,546</u>
Transfers to the Alberta Lottery Fund	(1,451,112)	(1,434,990)
Transfers to General Revenues	(751,000)	(681,000)
	<u>(4,720)</u>	<u>54,556</u>
CASH USED FOR INVESTMENT		
Purchase of property, plant and equipment	(36,943)	(44,132)
Purchase of computer software	(2,335)	(1,164)
Proceeds on disposal of property, plant and equipment	1,456	2,601
Net change in Investment in Western Canada Lottery Corporation	(6,716)	(3,395)
	<u>(44,538)</u>	<u>(46,090)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(49,258)</u>	<u>8,466</u>
CASH AND CASH EQUIVALENTS, beginning of year	326,265	317,799
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 277,007</u>	<u>\$ 326,265</u>

The accompanying notes are part of these financial statements.

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Gaming and Liquor Commission (Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The financial statements for the year ended March 31, 2012 were authorized by the Board on June 5, 2012. The Commission is an agency of the Government of Alberta which conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code* (Canada), and controls, in accordance with legislation, the manufacture, importation, sale, and purchase of liquor for the Government of Alberta. It also administers the Alberta Lottery Fund. The registered office operates out of 50 Corriverton Avenue, St. Albert, Alberta.

NOTE 2 BASIS OF PREPARATION AND FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Statement of Compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC).

For all periods up to and including the year ended March 31, 2011, the Commission prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). These financial statements for the year ended March 31, 2012 are the first the Commission has prepared in accordance with IFRS.

Accordingly, the Commission has prepared financial statements with IFRS applicable for periods ending on or after December 31, 2011, together with the comparative period data at and for the years ended March 31, 2011, as described in the accounting policies. In preparing these financial statements, the Commission's opening balance sheet was prepared at April 1, 2010, the Commission's date of transition to IFRS. This note explains the principal adjustments made by the Commission in restating its CGAAP Balance Sheet at April 1, 2010 and its previously published CGAAP financial statements at and for the year ended March 31, 2011.

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. All values are rounded to the nearest thousand dollars except where indicated.

Exemptions applied

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS.

The Commission has applied the following transition exemptions in the conversion from Canadian GAAP to IFRS:

- *Fair value as deemed cost exemption* – IFRS 1 permits the Commission to take an election to record assets of its choice at their fair value as their deemed cost on transition. The Commission has elected to not measure any item of property, plant and equipment or investment property at its fair value; these long-lived assets have been measured at cost in accordance with IFRS.

- *Leases exemption* – The Commission has determined that they have assessed their leases under CGAAP which has the same effect as the requirements of IFRIC 14. It was concluded that the determination done under CGAAP would have the same outcome under IFRS. Therefore, the Commission has elected to not reassess any leases under IFRS.
- *Business combinations* – IFRS 1 provides an option to apply IFRS 3, Business Combinations, on a full retrospective basis or prospectively from the transition date onwards. The full retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Commission has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the transition date and such business combinations have not been restated.

Effect of Transition to IFRS

An explanation of how the transition from previous CGAAP to IFRS has affected the Commission's financial position, financial performance, and cash flows is set out in the following tables and notes that accompany the tables.

RECONCILIATION OF THE BALANCE SHEET AT APRIL 1, 2010

(thousands of dollars)

	Notes	CGAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents	c/d	\$ 317,453	\$ 346	\$ 317,799
Accounts receivable	c/d	33,904	(431)	33,473
Prepaid expenses and inventories	c	31,474	(21,163)	10,311
		382,831	(21,248)	361,583
Property, Plant and Equipment	a/b/c	200,861	(24,838)	176,023
Computer Software	c	629	-	629
Investment Property	a/b	-	6,831	6,831
Investment in Western Canada Lottery Corporation	c	-	25,387	25,387
		<u>\$ 584,321</u>	<u>\$ (13,868)</u>	<u>\$ 570,453</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	c/d	\$ 162,484	\$ (15,671)	\$ 146,813
Due to the Alberta Lottery Fund		74,862	-	74,862
		237,346	(15,671)	221,675
Due to General Revenues	b/e	344,544	(21,131)	323,413
Provision for Loss on Leased Properties	e	2,431	-	2,431
Provision for Pension Liability		-	22,934	22,934
		<u>\$ 584,321</u>	<u>\$ (13,868)</u>	<u>\$ 570,453</u>

Note: CGAAP presentation is per the March 31, 2010 audited financial statements.

RECONCILIATION OF THE BALANCE SHEET AT MARCH 31, 2011

(thousands of dollars)

	Notes	CGAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents	c/d	\$ 348,975	\$ (22,710)	\$ 326,265
Accounts receivable	c/d	40,920	(2,400)	38,520
Prepaid expenses and inventories	c	18,175	(8,517)	9,658
		408,070	(33,627)	374,443
Property, Plant and Equipment	a/b/c	184,062	(15,379)	168,683
Computer Software	c	7,401	(5,969)	1,432
Investment Property	a/b	—	6,344	6,344
Investment in Western Canada Lottery Corporation	c	—	28,782	28,782
		<u>\$ 599,533</u>	<u>\$ (19,849)</u>	<u>\$ 579,684</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	c/d	\$ 169,730	\$ (21,553)	\$ 148,177
Due to the Alberta Lottery Fund		80,549	—	80,549
		250,279	(21,553)	228,726
Due to General Revenues	b/e	347,065	(24,877)	322,188
Provision for Loss on Leased Properties		2,189	—	2,189
Provision for Pension Liability	e	—	26,581	26,581
		<u>\$ 599,533</u>	<u>\$ (19,849)</u>	<u>\$ 579,684</u>

Note: CGAAP presentation is per the March 31, 2011 audited financial statements.

RECONCILIATION OF THE STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2011

(thousands of dollars)

	Notes	CGAAP	Effect of Transition to IFRS	IFRS
Liquor Revenue		\$ 2,033,482	\$ –	\$ 2,033,482
Liquor Cost of Sales		(1,344,426)	–	(1,344,426)
		689,056	–	689,056
Gaming Revenue	c	2,136,315	(387,014)	1,749,301
		2,825,371	(387,014)	2,438,357
Commissions and Federal Payments	c	(507,704)	68,056	(439,648)
Operating Expenses	b/c	(207,357)	34,879	(172,478)
Profit from Operations for the Year		2,110,310	(284,079)	1,826,231
Other Revenue		13,888	–	13,888
Income from Western Canada Lottery Corporation	c	–	283,980	283,980
Net Operating Results		\$ 2,124,198	\$ (99)	\$ 2,124,099
Other Comprehensive Income				
(Loss) on Pension Liability	e	–	(3,647)	(3,647)
TOTAL COMPREHENSIVE INCOME		\$ 2,124,198	\$ (3,746)	\$ 2,120,452

Note: CGAAP presentation provided above is the re-stated amounts from the March 31, 2011 audited financial statements.

RECONCILIATION OF THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2011

(thousands of dollars)

	Notes	CGAAP	Effect of Transition to IFRS	IFRS
Cash from Operations				
Net operating results for the year	b/c/e	\$ 2,124,198	\$ (99)	\$ 2,124,099
Decrease in provision for loss on leased properties		(242)	–	(242)
Amortization	b	51,164	(3,545)	47,619
Loss on disposal of property, plant and equipment		2,100	–	2,100
Net change in non-cash working capital balances	c/d	13,529	(16,559)	(3,030)
		2,190,749	(20,203)	2,170,546
Transfers to the Alberta Lottery Fund		(1,434,990)	–	(1,434,990)
Transfers to General Revenues		(681,000)	–	(681,000)
		74,759	(20,203)	54,556
Cash Used for Investment				
Purchase of property, plant and equipment	c	(44,674)	542	(44,132)
Purchase of computer software		(1,164)	–	(1,164)
Proceeds on disposal of property, plant and equipment		2,601	–	2,601
Net change in Investment in Western Canada Lottery Corporation	c	–	(3,395)	(3,395)
		(43,237)	(2,853)	(46,090)
Increase in Cash and Cash Equivalents		31,522	(23,056)	8,466
Cash and Cash Equivalents, beginning of year	c/d	317,453	346	317,799
Cash and Cash Equivalents, end of year	c/d	\$ 348,975	\$ 22,710	\$ 326,265

Note: CGAAP presentation is per the March 31, 2011 audited financial statements.

Notes to the reconciliations of Balance Sheets, Statements of Operations and Statement of Cash Flows:

(a) Investment Property

Under CGAAP, a warehouse leased to a third party was classified as property, plant and equipment (PP&E). Under IFRS the warehouse was reclassified from property, plant and equipment to investment property. The net book value of the investment property is \$6.8 million at April 1, 2010 (\$6.3 million at March 31, 2011). There is no impact to Due to General Revenues.

(b) Accumulated Amortization

Under CGAAP, a write down was made on the net book value of PP&E and investment property. Under IFRS the reasons no longer exist for the write-downs previously recorded on the building assets. Additionally, under IFRS new categories of PP&E were created from componentization of building related assets resulting in an increase to accumulated amortization. The net impact of these IFRS adjustments is approximately \$1.8 million at April 1, 2010 (March 31, 2011 - \$ 98 thousand). The offset is to Due to General Revenues.

(c) Investment in Western Canada Lottery Corporation (WCLC)

Under CGAAP, the investment in WCLC was accounted for using proportional consolidation. Under IFRS, the investment in WCLC will be accounted for using the equity method resulting in a separate Investment in WCLC in the balance sheet of the Commission of \$25.4 million at April 1, 2010 (\$28.8 million at March 31, 2011). This balance represents the initial investment in WCLC and the Commission's portion of change of equity since commencement of its participation in WCLC.

The following amounts were removed from the Commission's balance sheet, statement of operations and statement of cash flows:

(thousands of dollars)	March 31, 2011	April 1, 2010
Balance Sheet		
Cash	\$ 34,283	\$ 11,870
Accounts receivable	3,692	1,329
Prepaid expenses and inventory	8,517	21,163
Property, Plant and Equipment	10,739	19,810
Computer Software	5,969	—
	<u>\$ 63,200</u>	<u>\$ 54,172</u>
Accounts payable and accrued liabilities	<u>\$ 34,418</u>	<u>\$ 28,785</u>
Statement of Operations		
Ticket Lottery Revenue	\$ 796,190	
Ticket Lottery Prizes	(409,176)	
	<u>387,014</u>	
Commissions and Federal Payments	(68,130)	
Operating Expenses	(34,978)	
Net Operating Results	<u>\$ 283,906</u>	
Statement of Cash Flows		
Cash from operations	<u>\$ 216,895</u>	
Cash used for investment	<u>\$ 2,019</u>	

There is no impact to Due to General Revenues.

(d) Funds Held Under Administration

Under CGAAP, the Funds Held Under Administration were excluded from the balance sheet. Under IFRS, these funds will be included in the balance sheet. Total adjustment is as follows:

(thousands of dollars)	March 31, 2011	April 1, 2010
Cash and cash equivalents	\$ 11,573	\$ 12,216
Accounts receivable	1,292	898
Accounts payable and accrued liabilities	12,864	13,114

There is no impact to Due to General Revenues.

(e) Provision for Pension Liability

Under CGAAP, the Commission did not record a provision for pension liability for its portion of the multi-employer pension plans' liability. Under IFRS, a liability was calculated and is included on the balance sheet. Total liability at April 1, 2010 is \$22.9 million (March 31, 2011 - \$26.6 million) with an offsetting adjustment to Due to General Revenues.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The preparation of the Commission's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

For long lived assets, judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including the expected use of the asset. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expenses, and future impairment charges.

For the provision for pension liability, judgment is used to estimate the underlying assumptions for future salary increases, inflation rates, and discount rates. If these assumptions are incorrect, this could result in an adjustment to the liability and the gain or loss recorded in Other Comprehensive Income in the Statements of Operations.

The estimates at April 1, 2010 and at March 31, 2011 are consistent with those made for the same dates in accordance with CGAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Commission to present these amounts in accordance with IFRS reflect conditions at April 1, 2010, the date of transition to IFRS and as of March 31, 2011.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described throughout these notes to the financial statements. The Commission based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development, however, may change due to market changes or circumstances arising beyond the control of management. Such changes are reflected in the assumptions when they occur.

(a) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Classification depends on the nature and purpose of the financial asset or financial liability and the Commission's intentions.

Classifications are described below:

Cash and cash equivalents	Loans and receivables
Accounts receivables	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities
Due to Alberta Lottery Fund	Financial liabilities

Loans and receivables

Cash and cash equivalents and accounts receivables are accounted for at cost.

Financial liabilities

Accounts payable and accrued liabilities and due to Alberta Lottery Fund are accounted for at cost.

Impairment

Financial assets and financial liabilities are assessed for indicators of impairment on an annual basis. If there is objective evidence that an impairment exists, the loss is recorded on the Statement of Operations. The impairment loss is measured as the difference between the acquisition cost and the current fair value.

(b) Inventories

Gaming parts and supplies are valued at weighted average cost which is not in excess of net realizable value.

Liquor inventory is held on behalf of liquor suppliers or agents. As such, the value, and related duties and taxes, are not recorded in these financial statements.

(c) Property, Plant and Equipment, Computer Software and Investment Property

Property, plant and equipment, computer software, and investment property are reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the assets, reducing the original cost to estimated residual value. Where an item is comprised of major components with different useful lives, the components are accounted for as separate items. Amortization begins when the asset is put into use. Land is not amortized.

The estimated useful lives, residual value and amortization method are reviewed at the end of each fiscal year, with the effect of any changes in estimate accounted for on a prospective basis.

Investment property is defined as land, building or a combination thereof, that is held to earn rental income rather than for use in the ordinary course of business by the owner. The warehouse located in St. Albert that is leased to Connect Logistics Services Inc. is an investment property.

(d) Defined Benefit Pension Plans

The Commission participates in multi-employer defined benefit pension plans as listed in Note 11. The administrator of the plans informed the Commission that due to the complexity of the calculations, they were unable to provide the necessary information under IAS 19. As such, the Commission engaged the services of an actuary to estimate the Commission's portion of the deficit of the multi-employer defined benefit pension plans. These estimates are based upon the pension plans' most recent actuarial reports and extrapolated to the fiscal year end date of the Commission. These estimates are subject to the reliability of dated actuarial reports and assumptions regarding future salary increases, inflation rates, and discount rates. A sensitivity analysis of the inflation rates and discount rates indicate the estimates are subject to substantial changes resulting from minor changes in the assumptions.

The Provision for Pension Liability, including the underlying assumptions for future salary increases, inflation rates and discount rates, is reviewed annually. Changes to the provision are recorded in Other Comprehensive Income.

Contributions made to the multi-employer pension plans are recorded in Operating Expense on the Statement of Operations.

(e) Investment in an Associate – Western Canada Lottery Corporation

The Commission's investment in its associate is accounted for using the equity method of consolidation. The associate is the Western Canada Lottery Corporation (WCLC) in which the Commission has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

WCLC is a non-profit organization authorized to manage, conduct and operate ticket lottery activities for its members, the governments of Alberta, Saskatchewan, and Manitoba. The Yukon Territory, the Northwest Territories, and Nunavut participate as associate members.

Under the equity method, the investment in WCLC is carried in the balance sheet at cost plus post acquisition changes in the Commission's share of net assets of WCLC.

The Statement of Operations reflects the share of the results of operations of WCLC. Where there has been a change recognized directly in the equity of WCLC, the Commission recognizes its share of any changes and discloses this, when applicable, in Due to General Revenues. Unrealized gains and losses resulting from transactions between the Commission and WCLC are eliminated to the extent of the interest in WCLC.

The share of income from WCLC is shown on the face of the Statement of Operations.

The financial statements of WCLC are prepared under IFRS for the same reporting period as the Commission. Where necessary, adjustments are made to bring the accounting policies into conformity with those of the Commission.

After application of the equity method, the Commission determines whether it is necessary to recognize an additional impairment loss on the Commission's investment in WCLC. The Commission determines at each reporting date whether there is any objective evidence that the investment in WCLC is impaired. If this is the case, the Commission calculates the amount of impairment as the difference between the recoverable amount of WCLC and its carrying value and recognizes the amount in the income from WCLC in the Statement of Operations.

Upon any loss of significant influence over WCLC, the Commission would measure and recognize any remaining investment at its fair value. Any difference between the carrying amount of WCLC upon loss of significant influence and the fair value of the investment and proceeds from disposal is recognized in the Statement of Operations.

(f) Revenue and Expense Recognition

Revenue from gaming terminals, video lottery terminals and personal play electronic bingo is based on each bet and is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Revenue from play along electronic bingo is recognized at the time of purchase of the cards. Prizes, commissions and federal payments related to gaming terminals, video lottery terminals, and all forms of electronic bingo, are recognized on the same basis as related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold related to liquor is recognized on the same basis as the related revenue.

(g) Federal Taxes

Under the Excise Tax Act and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta has a tax-exempt status for its liquor and regulatory operations.

(h) Operating Expenses

Operating expenses are allocated against Provincial Lotteries Revenue or Liquor and Other Revenue, based on the nature of the expense.

(i) Allocation of Total Comprehensive Income

The *Gaming and Liquor Act* requires the Commission to transfer total comprehensive income to the Alberta Lottery Fund and the General Revenue Fund.

Total comprehensive income arising from the conduct of authorized gaming terminal, video lottery, lottery ticket, and electronic bingo in Alberta is transferred to the Alberta Lottery Fund. Note 9 discloses further information on amounts due to the Alberta Lottery Fund.

Total comprehensive income of liquor operations and other income is transferred to General Revenues. Note 10 discloses further information on amounts due to General Revenues.

(j) Contingent Liabilities and Provisions

Contingent liabilities are possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty.

Provisions are recognized when the Commission has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Operations net of any reimbursement.

All legal claims are assessed by the Commission's legal counsel to determine the possible liability. Disclosure is made if the assessment of possible liability meets specific criteria and the likelihood is greater than 10%. Additionally, a provision is recognized if the assessment of possible liability meets specific criteria and the likelihood is greater than 50%.

(k) Future Accounting Changes

Future accounting changes are based on standards issued but not yet effective up to the date of the issuance of the financial statements. This listing is of standards and interpretations issued, which management reasonably expects to be applicable at the future date. The Commission is assessing the impact of these new standards on its financial statements.

IAS 9 Financial Instruments – Effective for annual periods on or after January 1, 2015 with early adoption permitted. Under IFRS 9 there are new requirements for classifying and measuring financial assets measured at amortised cost and hedge accounting. The Commission is not expecting any impact on the financial statements from the new standard.

IFRS 11 Joint Arrangements – Effective for annual periods on or after January 1, 2013 with early adoption permitted. Under IFRS 11 joint arrangements accounted for using the proportionate consolidation method will have to change to the equity method. The Commission is accounting for the WCLC investment using the equity method as an investment in which it holds significant influence. This pronouncement is not expected to have any effect on the financial statements.

IFRS 12 Disclosure of interests in other entities – Effective for annual periods on or after January 1, 2013 with early adoption permitted. IFRS 12 provides additional guidance for disclosures of an entity in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Commission is reviewing the requirements of the standard at this time and assessing the effect on the financial statements.

IAS 19 Employee benefits – Effective for annual periods on or after January 1, 2013 with early adoption permitted. The objective of IAS 19 is to recommend accounting and disclosures for employee benefits; specifically, the cost of providing employee benefits should be recognized in the period when the benefit is earned by the employee, rather than when the benefit is paid or payable. The Commission is reviewing the requirements of the standard and assessing the effect on the financial statements.

IAS 28 Investments in Associates and Joint Ventures – As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed and describes the application of the equity method to investments in joint ventures in addition to associates. The Commission currently applies the equity method to the Investment in WCLC and does not expect this standard to have any effect on the financial statements.

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Additionally, cash and cash equivalents include the proceeds from table games which the Commission holds on behalf of charities; further details are provided in Note 19.

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have a time-weighted yield of 1.3% per annum (March 31, 2011: 1.1% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 5 PREPAID EXPENSES AND INVENTORIES

(in thousands)	2012		2011	
Prepaid Expenses	\$	3,067	\$	736
Gaming Parts		7,730		7,947
Supplies		829		975
	\$	11,626	\$	9,658

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

(in thousands)	Buildings & Leasehold		Vehicles	Equipment	Gaming Equipment & Terminals	Total
	Land	Improvements				
Cost, April 1, 2010	\$ 4,113	\$ 26,874	\$ 3,359	\$ 28,145	\$ 392,504	\$ 454,995
Additions	–	5,760	194	1,634	42,648	50,236
Disposals	–	(24)	(259)	(508)	(35,486)	(36,277)
Cost, March 31, 2011	4,113	32,610	3,294	29,271	399,666	468,954
Accumulated Amortization, April 1, 2010	–	(17,515)	(2,714)	(27,238)	(231,505)	(278,972)
Additions	–	(649)	(388)	(1,199)	(44,515)	(46,751)
Disposals	–	24	245	509	24,673	25,451
Accumulated Amortization, March 31, 2011	–	(18,140)	(2,857)	(27,928)	(251,347)	(300,272)
Net Book Value, March 31, 2011	\$ 4,113	\$ 14,470	\$ 437	\$ 1,343	\$ 148,319	\$ 168,682
Cost, March 31, 2011	\$ 4,113	\$ 32,610	\$ 3,294	\$ 29,271	\$ 399,666	\$ 468,954
Additions	–	900	764	1,471	34,079	37,214
Disposals	–	–	(692)	(338)	(27,537)	(28,567)
Cost, March 31, 2012	4,113	33,510	3,366	30,404	406,208	477,601
Accumulated Amortization, March 31, 2011	–	(18,140)	(2,857)	(27,928)	(251,347)	(300,272)
Additions	–	(793)	(510)	(989)	(42,271)	(44,563)
Disposals	–	–	671	337	24,994	26,002
Accumulated Amortization, March 31, 2012	–	(18,933)	(2,696)	(26,580)	(268,624)	(318,833)
Net Book Value, March 31, 2012	\$ 4,113	\$ 14,577	\$ 670	\$ 1,824	\$ 137,584	\$ 158,768

The estimated useful life over which property, plant, and equipment are amortized is as follows:

Buildings	
Building Structure	40 years
Roof	25 years
HVAC	20 years
Plumbing	40 years
Electrical/Security	25 years
Interior renovations and equipment	20 years
Flooring	20 years
Paving/Concrete/Sidewalks	20 years
Elevators	30 years
Leasehold improvements	Lease term
Vehicles	3 years
Equipment	3 years
Gaming Equipment and Terminals	
Gaming Equipment	10 years or 3 years
Video Lottery Terminals	7 years
Casino Gaming Terminals	7 years

NOTE 7 COMPUTER SOFTWARE

(in thousands)	Computer Software	Software Under Development	Total
Cost, April 1, 2010	\$ 13,200	\$ —	\$ 13,200
Additions	435	729	1,164
Disposals	—	—	—
Cost, March 31, 2011	13,635	729	14,364
Accumulated Amortization, April 1, 2010	(12,571)	—	(12,571)
Additions	(361)	—	(361)
Disposals	—	—	—
Accumulated Amortization, March 31, 2011	(12,932)	—	(12,932)
Net Book Value, March 31, 2011	\$ 703	\$ 729	\$ 1,432
Cost, March 31, 2011	\$ 13,635	\$ 729	\$ 14,364
Additions	772	1,563	2,335
Disposals	—	—	—
Cost, March 31, 2012	14,407	2,292	16,699
Accumulated Amortization, March 31, 2011	(12,932)	—	(12,932)
Additions	(631)	—	(631)
Disposals	—	—	—
Accumulated Amortization, March 31, 2012	(13,563)	—	(13,563)
Net Book Value, March 31, 2012	\$ 844	\$ 2,292	\$ 3,136

The estimated useful life over which computer software is amortized is as follows:

Gaming system related	7 years
Other computer software	3 years

NOTE 8 INVESTMENT PROPERTY (LIQUOR WAREHOUSE)

(in thousands)	Building
Cost, April 1, 2010	\$ 27,864
Additions	21
Disposals	—
Cost, March 31, 2011	27,885
Accumulated Amortization, April 1, 2010	(21,033)
Additions	(508)
Disposals	—
Accumulated Amortization, March 31, 2011	(21,541)
Net Book Value, March 31, 2011	\$ 6,344
Cost, March 31, 2011	\$ 27,885
Additions	—
Disposals	—
Cost, March 31, 2012	27,885
Accumulated Amortization, March 31, 2011	(21,541)
Additions	(508)
Disposals	—
Accumulated Amortization, March 31, 2012	(22,049)
Net Book Value, March 31, 2012	\$ 5,836

(a) The estimated useful life over which investment property is amortized is as follows:

Building Structure	40 years
Roof	25 years
HVAC	20 years
Plumbing	20 years
Electrical/Security	25 years
Interior renovations and equipment	20 years
Flooring	20 years
Paving/Concrete/Sidewalks	20 years
Elevators	30 years
Dock Equipment	10 years

(b) Net Profit from Investment Property

	2012	2011
Rental income derived from investment property	\$ 2,256	\$ 2,256
Direct operating expenses (including repair and maintenance) generating rental income	(248)	(44)
Net profit arising from investment property	\$ 2,008	\$ 2,212

(c) Fair Value of Investment Property

	2012	2011
Fair value of investment property	\$ 21,307	\$ 22,987

Investment property is stated at cost. Fair value is based on property tax assessments.

NOTE 9 DUE TO THE ALBERTA LOTTERY FUND

This amount represents the portion of net operating results from provincial lottery operations, which has not been transferred to the Alberta Lottery Fund.

(in thousands)	2012	2011
Due to the Alberta Lottery Fund, beginning of year	\$ 80,549	\$ 74,862
Net operating results, Provincial Lotteries (note 12)	1,471,014	1,440,677
Other comprehensive income (loss), Provincial Lotteries (note 12)	-	-
Total comprehensive income, Provincial Lotteries (note 12)	1,471,014	1,440,677
Transfers to the Alberta Lottery Fund	(1,451,112)	(1,434,990)
Due to the Alberta Lottery Fund, end of year	\$ 100,451	\$ 80,549

Amounts due to the Alberta Lottery Fund are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 10 DUE TO GENERAL REVENUES

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

(in thousands)	2012	2011
Due to General Revenues, beginning of year	\$ 322,188	\$ 323,413
Net operating results, Liquor and Other (note 12)	701,279	683,422
Other comprehensive income (loss), Liquor and Other (note 12)	(14,161)	(3,647)
Total comprehensive income, Liquor and Other (note 12)	687,118	679,775
Transfers to General Revenues	(751,000)	(681,000)
Due to the General Revenues, end of year	\$ 258,306	\$ 322,188

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 11 EMPLOYEE BENEFIT PLANS

(in thousands)

The Commission participates in three multi-employer defined benefit pension plans; the Management Employees Pension Plan (MEPP), the Public Services Pension Plan (PSPP), and the Supplementary Retirement Plan for Public Service Managers (SRP). The cost of providing benefits under the defined benefit plans is determined separately for each plan by independent actuaries based on several assumptions. An expense and a liability for benefits earned are recognized in the period that employee service has been rendered.

At December 31, 2011 the Management Employees Pension Plan reported a deficiency of \$517,726 (2010 – deficiency \$397,087), the Public Service Pension Plan reported a deficiency of \$1,790,383 (2010 – deficiency \$2,067,151) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$53,489 (2010 – deficiency \$39,559).

The expense for these pension plans is equivalent to the annual contributions of \$6,709 for the year ended March 31, 2012 (2011 - \$5,890).

The Commission advises the readers of this note, at the time this note was prepared not all the information for disclosure required under IAS 19 was available. The Commission prepared this note with the data for the multi-employer defined benefit plans that was available at the time of preparation. The actuarial information for its proportionate share of the plans at the reporting dates not included in this note is:

- change in the present value of the defined benefit obligations from beginning of the reporting year to end of the reporting year categorized by current service cost, interest expense, remeasurement gains or losses, and benefit payments and
- change in the fair value of the plans' assets from the beginning of the reporting year to end of the reporting year categorized by employer contributions, interest income, remeasurement gains or losses, and benefit payments and
- net pension liability representing the difference between the Commission's defined benefit obligations and its share of the fair value of the plans assets.

The principal assumptions used in determining pension obligations for the Commission are shown below:

	March 31, 2012	March 31, 2011	April 1, 2010
	%	%	%
Discount rate:			
Management Employees Pension Plan	4.50	5.50	6.00
Public Service Pension Plan	4.50	5.50	6.00
Supplementary Retirement Plan	4.50	5.50	6.00
Inflation Rate:			
Management Employees Pension Plan	2.25	2.25	2.25
Public Service Pension Plan	2.25	2.25	2.25
Supplementary Retirement Plan	2.25	2.25	2.25
Average wage increases:			
Management Employees Pension Plan	3.50	3.50	3.50
Public Service Pension Plan	3.50	3.50	3.50
Supplementary Retirement Plan	3.50	3.50	3.50

Additional assumptions are described in the valuation reports for each of the respective plans.

	March 31, 2012	March 31, 2011	April 1, 2010
<u>Sensitivity Analysis:</u>			
Valuation date from which results are extrapolated:			
Management Employees Pension Plan	Dec 31, 2009	Dec 31, 2009	Dec 31, 2009
Public Service Pension Plan	Dec 31, 2010	Dec 31, 2010	Dec 31, 2009
Supplementary Retirement Plan	Dec 31, 2009	Dec 31, 2009	Dec 31, 2009
Estimated sensitivity of liabilities to a 1% change in the discount rate:			
Management Employees Pension Plan	13.04%	13.04%	13.04%
Public Service Pension Plan	13.20%	13.20%	13.39%
Supplementary Retirement Plan	23.98%	23.98%	23.98%
Estimated sensitivity of liabilities to a 1% change in the inflation rate, corresponding ultimate general increase rate at validation date :			
Management Employees Pension Plan	-	-	-
Public Service Pension Plan	9.50%	9.50%	9.64%
Supplementary Retirement Plan	-	-	-

	March 31, 2012	March 31, 2011	April 1, 2010
<u>Pensionable Earnings:</u>			
Plans total pensionable earnings at the valuation date (thousands):			
Management Employees Pension Plan	\$ 516,682	\$ 516,682	\$ 516,682
Public Service Pension Plan	\$ 2,411,800	\$ 2,411,800	\$ 2,304,100
Supplementary Retirement Plan	\$ 25,898	\$ 25,898	\$ 25,898
Total AGLC pensionable earnings at the valuation date (thousands):			
Management Employees Pension Plan	\$ 7,601	\$ 7,601	\$ 7,601
Public Service Pension Plan	\$ 41,800	\$ 41,800	\$ 39,500
Supplementary Retirement Plan	\$ 497	\$ 497	\$ 497
<u>Results at Calculation Date (millions):</u>			
Pension plan surplus (deficit) updated with interest to calculation date:			
Management Employees Pension Plan	\$ (1,167.0)	\$ (750.0)	\$ (532.0)
Public Service Pension Plan	(3,421.0)	(2,243.0)	(2,121.0)
Supplementary Retirement Plan	(28.0)	(8.0)	6.0
Proportion of surplus (deficit) attributed to AGLC:			
Management Employees Pension Plan	(17.0)	(11.0)	(8.0)
Public Service Pension Plan	(59.0)	(39.0)	(36.0)
Supplementary Retirement Plan	(0.5)	(0.2)	0.1
Total	\$ (76.5)	\$ (50.2)	\$ (43.9)

The Commission only records a provision for the employer portion of the surplus (deficit) attributable to the Commission. The employer portions are 63% for MEPP, 50% for PSPP and 100% for SRP. The respective employer portions are noted in the following table:

	March 31, 2012	March 31, 2011	April 1, 2010
Management Employees Pension Plan	\$ (10.7)	\$ (6.9)	\$ (5.0)
Public Service Pension Plan	(29.5)	(19.5)	(18.0)
Supplementary Retirement Plan	(0.5)	(0.2)	0.1
Total	<u>\$ (40.7)</u>	<u>\$ (26.6)</u>	<u>\$ (22.9)</u>

Risks arising from defined benefit plans

Economic risks

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets, and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets.

Demographic risks

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates, etc.

Multi-employer plan funding risk

In addition to economic and demographic risk factors, the Commission is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for and amount of pension and related benefits; and
- Performance of plan assets affected by investment policies set by the government.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments, and mandatory funding requirements.

NOTE 12 GAMING AND LIQUOR OPERATING RESULTS

(in thousands)

Management monitors the operating results of the various revenue segments for the purpose of making decisions about resource allocation and performance assessment. Operating expenses are not allocated to the individual segments but are allocated between Provincial Lotteries Revenue and Liquor and Other Revenue as authorized by the *Gaming and Liquor Act*.

	2012					
	Provincial Lotteries				Liquor and Other	Total
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Subtotal		
Credits Played	\$ 15,615,948	7,428,194	39,953	23,084,095	–	\$ 23,084,095
Liquor Revenue	–	–	–	–	2,149,205	2,149,205
	15,615,948	7,428,194	39,953	23,084,095	2,149,205	25,233,300
Credits Won	(14,394,802)	(6,834,399)	(27,553)	(21,256,754)	–	(21,256,754)
Cost of Liquor Product					(1,440,444)	(1,440,444)
	(14,394,802)	(6,834,399)	(27,553)	(21,256,754)	(1,440,444)	(22,697,198)
	1,221,146	593,795	12,400	1,827,341	708,761	2,536,102
Commissions & Federal Payments	(363,718)	(94,222)	(3,975)	(461,915)	–	(461,915)
	<u>\$ 857,428</u>	<u>499,573</u>	<u>8,425</u>	<u>1,365,426</u>	<u>708,761</u>	<u>2,074,187</u>
Operating Expenses				(156,744)	(20,744)	(177,488)
Profit from Operations for the Year				1,208,682	688,017	1,896,699
Other Revenue				–	13,262	13,262
Income from Western Canada Lottery Corporation				262,332	–	262,332
Net Operating Results				<u>\$ 1,471,014</u>	<u>\$ 701,279</u>	<u>\$ 2,172,293</u>
Other Comprehensive Income (Expense)				–	(14,161)	(14,161)
Total Comprehensive Income				<u>\$ 1,471,014</u>	<u>\$ 687,118</u>	<u>\$ 2,158,132</u>

*(a) includes Keno Charity Commissions

2011

	Provincial Lotteries				Liquor and Other	Total
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Subtotal		
Credits Played	\$ 14,610,556	7,365,313	38,209	22,014,078	–	\$ 22,014,078
Liquor Revenue	–	–	–	–	2,033,482	2,033,482
	14,610,556	7,365,313	38,209	22,014,078	2,033,482	24,047,560
Credits Won	(13,458,398)	(6,779,822)	(26,557)	(20,264,777)	–	(20,264,777)
Cost of Liquor Product	–	–	–	–	(1,344,426)	(1,344,426)
	(13,458,398)	(6,779,822)	(26,557)	(20,264,777)	(1,344,426)	(21,609,203)
	1,152,158	585,491	11,652	1,749,301	689,056	2,438,357
Commissions & Federal Payments	(343,148)	(92,757)	(3,743)	(439,648)	–	(439,648)
	\$ 809,010	492,734	7,909	1,309,653	689,056	1,998,709
Operating Expenses				(152,956)	(19,522)	(172,478)
Profit from Operations for the Year				1,156,697	669,534	1,826,231
Other Revenue				–	13,888	13,888
Income from Western Canada Lottery Corporation				283,980	–	283,980
Net Operating Results				\$ 1,440,677	\$ 683,422	\$ 2,124,099
Other Comprehensive Income (Expense)				–	(3,647)	(3,647)
Total Comprehensive Income				\$ 1,440,677	\$ 679,775	\$ 2,120,452

*(a) includes Keno Charity Commissions

NOTE 13 COMMISSIONS AND FEDERAL PAYMENTS

(in thousands)

2012

	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Total
Commissions				
Operators	\$ 179,755	\$ 89,004	\$ 1,860	\$ 270,619
Charities	173,036	–	1,936	174,972
Federal Tax Expense (b)	10,927	5,218	179	16,324
	\$ 363,718	\$ 94,222	\$ 3,975	\$ 461,915

2011

	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Total
Commissions				
Operators	\$ 169,717	\$ 87,758	\$ 1,748	\$ 259,223
Charities	162,984	–	1,822	164,806
Federal Tax Expense (b)	10,447	4,999	173	15,619
	\$ 343,148	\$ 92,757	\$ 3,743	\$ 439,648

*(a) includes Keno Charity Commissions

*(b) as prescribed by the Games of Chance (GST/HST) Regulations, taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on gaming terminal, video lottery terminal and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which a credit is not allowed under the formula.

NOTE 14 OPERATING EXPENSES

(in thousands)

	2012	2011
Salaries and benefits	\$ 70,993	\$ 66,079
Amortization	42,734	47,619
Leased gaming terminals	26,532	25,054
Equipment and vehicles	13,012	11,211
Data communications	5,464	5,288
Fees and services	4,022	3,284
Data processing	3,839	3,088
Travel and training	2,696	2,222
Property	2,625	2,219
Stationery and supplies	1,652	1,845
Freight and ticket product delivery	1,693	1,583
Miscellaneous	785	819
Insurance and bank charges	784	1,402
Retailer relations	544	657
Liquor product expense	113	108
	<u>\$ 177,488</u>	<u>\$ 172,478</u>

NOTE 15 OTHER REVENUE

(in thousands)

	2012	2011
Licences	\$ 6,297	\$ 6,131
Interest revenue	3,713	3,266
Premises rental revenue	2,385	2,352
Miscellaneous	1,874	1,612
Liquor levies	1,825	1,608
Retailer service fees	693	660
Fines and violations	282	329
Loss on disposal of property, plant and equipment	(3,807)	(2,100)
	<u>\$ 13,262</u>	<u>\$ 13,888</u>

NOTE 16 INVESTMENT IN WESTERN CANADA LOTTERY CORPORATION (WCLC)

(in thousands)

The Commission's interest in the WCLC is based upon Alberta's share of lottery ticket sales.

The WCLC is a private entity that is not listed on any public exchange. The following table illustrates summarized financial information of the Commission's investment in the WCLC.

	2012	2011
Balance Sheet		
Current Assets	\$ 78,949	\$ 80,265
Capital and Intangible Assets	26,777	28,009
	<u>\$ 105,726</u>	<u>\$ 108,274</u>
Current Liabilities	\$ 61,863	\$ 67,819
Due to Provincial Governments	55,139	49,068
Equity	(11,276)	(8,613)
	<u>\$ 105,726</u>	<u>\$ 108,274</u>
Statement of Operations		
Ticket Lottery Revenue (a)	\$ 744,218	\$ 796,190
Ticket Lottery Prizes (a)	(380,858)	(409,176)
Gaming Revenue	363,360	387,014
Commissions (a)	(51,840)	(56,254)
Federal Tax Expense (a)	(4,237)	(4,232)
Payment to Federal Government (b)	(7,826)	(7,570)
	<u>299,457</u>	<u>318,958</u>
Operating Expenses	(37,125)	(34,978)
Net Operating Results	<u>\$ 262,332</u>	<u>\$ 283,980</u>

(a) On-line ticket lottery revenues are recognized at the date of the draw, with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal payments related to ticket revenues are recognized on the same basis as related revenues.

(b) A payment is made to the federal government which represents the Province of Alberta's share resulting from an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by WCLC on behalf of Alberta and is based on current population statistics and its share of ticket lottery sales.

Statement of Change in Investment in WCLC

	2012	2011
Investment in WCLC, beginning of year	\$ 28,782	\$ 25,387
Net Operating Results recorded in AGLC	262,332	283,980
Interest Revenue recorded in Alberta Lottery Fund	1,045	811
WCLC Net Income Allocated to Alberta	<u>263,377</u>	<u>284,791</u>
Advances received from WCLC	(256,661)	(281,396)
Investment in WCLC, end of year	<u>\$ 35,498</u>	<u>\$ 28,782</u>

NOTE 17 COMMITMENTS

(in thousands)

Commitments are obligations of the Commission to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011
Obligations under operating leases and contracts	\$ 5,660	\$ 3,980
Premise Leases and other contracts	1,807	2,651
Former Retail Liquor Stores	162,680	—
Video Lottery Terminal replacement initiative	\$ 170,147	\$ 6,631

Estimated payment requirements for each of the next five years and thereafter are as follows:

2012-13	\$ 145,673
2013-14	9,444
2014-15	4,356
2015-16	4,262
2016-17	3,982
Thereafter	2,430
	<u>\$ 170,147</u>

The Commission has lease obligations for former retail liquor stores, most of which have been subleased to third parties. Provision for loss on leased properties of \$1.94 million (2011 - \$2.19 million) has been made where the payments to be received on the sub-leases are less than the lease payments to be made. Estimated receipts for each of the five years and thereafter are as follows:

2012-13	\$ 540
2013-14	163
2014-15	82
2015-16	82
2016-17	82
Thereafter	611
	<u>\$ 1,560</u>

NOTE 18 CONTINGENT LIABILITIES AND PROVISIONS

(in thousands)

Contingent Liabilities are possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty.

The Commission is a defendant in several legal claims. Management has assessed these claims as at March 31, 2012 and determined, due to the nature of the claims, none of the claims will be provided for in our accounts or disclosed in these notes. Any additional liabilities that may arise from the legal claims not provided for in our accounts or disclosed in these notes as they are remote and are not expected to have material adverse effect in the financial position or operations of the Commission. As at March 31, 2011 one claim was provided for in our accounts in the amount of \$0.3 million.

The Commission amended a lease agreement with a tenant on March 28, 2012. Under the terms of the amended agreement, the Commission has agreed to pay for certain capital investments and would assume certain third party premise leases for the remainder of the lease term if a significant change in the terms of the tenant's appointment occurs before December 31, 2015. As of March 31, 2012, the Commission's potential liability is \$11.9 million (2011 - \$1.08 million).

Provisions are recognized as liabilities because they are present obligations and it is probable that an outflow of resources will be required to settle the obligation.

A provision for loss on leased properties has been recorded on onerous lease contracts on former retail liquor store operations that could not be terminated by the Commission at the time of liquor privatization in 1993. The provision is determined based on the difference between the aggregate estimated sublease revenue and the total lease obligations. As at March 31, 2012 there were 9 leases (2011 - 9 leases) that make up the provision.

	Lease Provision
As at April 1, 2010	\$ 2,431
Amounts used against the Provision	(242)
As at March 31, 2011	2,189
Amounts used against the Provision	(246)
As at March 31, 2012	\$ 1,943
Expected Outflow of Resources	
Within one year	\$ 247
After one year but not more than five years	300
After five years	1,396
	\$ 1,943

NOTE 19 FUNDS UNDER ADMINISTRATION

(in thousands)

The Commission manages the collection, investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events.

The share of proceeds/losses from these table games allocated to charities is established in policy and by agreement between the participating charity and the relevant casino operator. These allocations are collected by the Commission and pooled by casino or region over a three month period. The pooled funds earn interest and the Commission deducts administrative fees from the pools. The net proceeds in each pool at the end of the pooling period are distributed equally to each charity holding a licensed charitable casino event in the casino/region during the pooling period.

	2012	2011
Charitable Proceeds	\$ 14,575	\$ 12,789
Held Charitable Proceeds	159	75
Returned Funds	35	-
	<u>\$ 14,769</u>	<u>\$ 12,864</u>

NOTE 20 SALARIES AND BENEFITS

(in thousands)

	2012			2011	
	Base Salary (a)	Other Cash Benefits (b)	Other Non-cash Benefits (c)	Total	Total
Board					
Chairperson	\$ 89	\$ -	\$ -	\$ 89	\$ 93
Board Members	248	-	-	248	272
Executive Team					
Chief Executive Officer (d)	264	3	76	343	320
Management					
Executive Director, Gaming Products and Services	185	21	52	258	234
Chief Financial Officer	185	5	52	242	219
Chief Information Officer (e)	178	20	40	247	228
Executive Director, Regulatory	174	5	9	188	225
Executive Director, Corporate Strategy and Social Responsibility	175	2	40	225	194
Executive Director, Human Resources	151	5	39	195	190
Director, Communications (f)	41	8	10	59	147

Prepared in accordance with Treasury Board Directive 12/96 as amended.

(a) Base salary includes regular base pay.

(b) Other cash benefits include vacation payouts and lump sum payouts. There were no bonuses paid in 2012.

(c) Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, and short and long term disability plans.

(d) Automobile provided, taxable benefit amount of \$7 (2011 - \$8) is not included in other non-cash benefits.

(e) The position was occupied by 2 individuals during the year.

(f) Effective October 2011, this position was filled by a secondment from Government of Alberta Public Affairs Bureau.

NOTE 21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of the Commission's financial instruments approximate their fair values unless otherwise noted.

The Commission is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk represents the loss that would be recognized if parties holding financial assets of the Commission fail to honour their obligations. Credit risk is minimized as the Commission does not have significant exposure to any individual retail entity.

Liquidity risk is the risk the Commission will not be able to meet its financial obligations as they fall due. The majority of the Commission's operational activities involve cash sales and short term accounts receivables. The Commission relies on funds generated from its operations to meet operating requirements and to finance capital investment.

NOTE 22 RELATED PARTY TRANSACTIONS

(in thousands)

The Commission is a wholly-owned entity of the Government of Alberta. The Government significantly influences the Commission.

The Commission reports to the President of Treasury Board and Minister of Finance. Any department or entity the Minister is responsible for is a deemed related party to the Commission. These include:

- Department of Treasury Board and Finance, including Risk Management and Insurance
- Alberta Lottery Fund
- General Revenue Fund

The Commission made payments totalling \$321 (2011 - \$338) to Risk Management and Insurance. Transactions with the Alberta Lottery Fund are disclosed in Note 9 and transactions with the General Revenue Fund are disclosed in Note 10.

The Western Canada Lottery Corporation (WCLC), an associated entity as disclosed in Note 3, is also a deemed related party to the Commission. Details of transactions with WCLC are disclosed in Note 16. In addition, the Commission received \$693 (2011 - \$660) in retailer service fees from WCLC.

The Board members of the Commission, executive management and their close family members are deemed to be related parties to the Commission. Transactions with close family members are immaterial; compensation for Board members and executive management is disclosed in Note 20.

NOTE 23 APPROVED BUDGET

(in thousands)

The Commission includes its annual budget, on a summarized basis, in its business plan. The summarized budget receives approval by the Minister the Commission reports to on recommendation from the Commission Board and becomes part of the fiscal plan of the Government of Alberta.

	2012
Liquor Revenue	\$ 2,167,787
Liquor Cost of Sales	(1,436,778)
	\$ 731,009
Gaming Revenue	1,850,954
	\$ 2,581,963
Commissions and Federal Payments (a)	(473,288)
Operating Expenses	(240,016)
Profit from Operations for the Year	\$ 1,868,659
Other Revenue	15,107
Income from Western Canada Lottery Corporation	222,933
Net Operating Results	\$ 2,106,699

(a) Includes Keno Charity Commissions

ALBERTA LOTTERY FUND FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Members of the Alberta Gaming and Liquor Commission



Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Lottery Fund, which comprise the balance sheet as at March 31, 2012 and the statements of revenue, expenditure and fund equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Lottery Fund as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Original signed by

Merwan N. Saher, FCA
Auditor General

June 5, 2012
Edmonton, Alberta

Alberta Lottery Fund
BALANCE SHEET
 At March 31



(thousands of dollars)

2012

2011

ASSETS

Cash and cash equivalents (Note 3)

\$ 59,257 \$ 152,194

Due from Alberta Gaming and Liquor Commission (Note 5)

100,451 80,549

\$ 159,708 \$ 232,743

LIABILITIES AND FUND EQUITY

Accounts payable (Note 6)

\$ 106,933 \$ 179,968

Fund equity

52,775 52,775

\$ 159,708 \$ 232,743

The accompanying notes are part of these financial statements.

Approved by:

BOARD

MANAGEMENT

Original signed by

Original signed by

 Marguerite J. Trussler
 Chairperson of the Board
 Alberta Gaming and Liquor Commission

 Gill Hermanns
 Acting Chief Executive Officer
 Alberta Gaming and Liquor Commission

Alberta Lottery Fund

STATEMENT OF REVENUE, EXPENDITURE AND FUND EQUITY

For the year ended March 31



(thousands of dollars)	Budget 2012 (Note 9)	Actual 2012	Actual 2011
REVENUE			
Proceeds from lottery operations (Note 7)	\$ 1,388,468	\$ 1,471,014	\$ 1,440,677
Interest	2,000	4,520	3,611
	1,390,468	1,475,534	1,444,288
EXPENDITURE			
Transfers to Departments (Note 8)	1,390,468	1,475,534	1,444,288
Excess of revenue over expenditure for the year	—	—	—
Fund equity, beginning of year	52,775	52,775	52,775
Fund equity, end of year	\$ 52,775	\$ 52,775	\$ 52,775

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2012



NOTE 1 AUTHORITY AND PURPOSE

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission under the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives the proceeds from lottery operations (see Note 7) and makes payments there from in the public interest in order to support thousands of volunteer, public and community-based initiatives.

The *Appropriation Act, 2011* authorized payments from the Lottery Fund as presented in the 2011-2012 Estimates, and provided for flexibility in the amount allocated from the Lottery Fund to the General Revenue Fund so that the net balance of the Lottery Fund would be zero at the year ended March 31, 2012.

All authorized payments from the Lottery Fund are made to the General Revenue Fund to finance eligible initiatives; in prior years, eligible initiatives were funded directly from the Lottery Fund. The transfer of funds to certain programs is based on gaming proceeds generated at related gaming facilities, in accordance with government policy direction. For these programs, the amount transferred may differ from the budgeted amount.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

Cash Flows

A statement of cash flows is not provided as disclosure in these financial statements is considered to be adequate.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values because of the short term nature of these instruments.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Lottery Fund and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statements of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Lottery Fund operates within the government reporting entity, and finances all its expenditures by the revenues received. Accordingly, the difference is reported as "fund equity".

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. For the year ended March 31, 2012, securities held by the Fund had a time-weighted return of 1.26% per annum (March 31, 2011: 1.05% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 RELATED PARTY TRANSACTIONS

Related parties are those consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements.



All the transactions, except for interest revenue, of the Lottery Fund are considered related party transactions.

NOTE 5 DUE FROM THE ALBERTA GAMING AND LIQUOR COMMISSION

This amount represents the portion of the revenues from lottery operations which has not been transferred by the Alberta Gaming and Liquor Commission (AGLC) to the Alberta Lottery Fund at year end.

(thousands of dollars)	2012	2011
Due from AGLC, beginning of year	\$ 80,549	\$ 74,862
Transferable from AGLC	1,471,014	1,440,677
Transfers from AGLC	(1,451,112)	(1,434,990)
Due from AGLC, end of year	\$ 100,451	\$ 80,549

NOTE 6 ACCOUNTS PAYABLE

Accounts payable consists primarily of outstanding payments to the Department of Treasury Board and Finance.

NOTE 7 PROCEEDS FROM LOTTERY OPERATIONS

Proceeds from provincial lotteries received by the Alberta Gaming and Liquor Commission are recorded as revenue of the Fund after the deduction of related operating expenses.

(thousands of dollars)	2012	2011
Income from gaming terminals	\$ 857,428	\$ 809,010
Income from video lottery terminals	499,573	492,734
Income from ticket lottery	299,382	318,884
Income from electronic bingo	8,500	7,983
Less operating expenses	(193,869)	(187,934)
Proceeds from lottery operations	\$ 1,471,014	\$ 1,440,677

NOTE 8 TRANSFERS TO DEPARTMENTS

Transfers to support volunteer, public and community based initiatives:

(thousands of dollars)	2012	2011
General Revenue Fund	\$ 1,475,534	\$ 1,444,288

NOTE 9 BUDGET

The 2012 budgeted expenditures were authorized in total by the *Appropriation Act, 2011* on April 29, 2011.

NOTE 10 COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

CONTACT INFORMATION

Inquiries may be directed to:

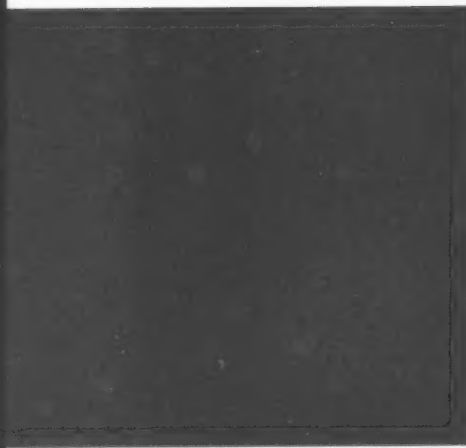
**Alberta Gaming and Liquor Commission
Communications Division
50 Corriveau Avenue
St. Albert, AB T8N 3T5
Telephone: 780-447-8740
Toll-free: 1-800-272-8876
Fax: 780-447-8931**

This and other related reports may be viewed on our website at aglc.ca.

If gambling is a concern for you or someone you know, call the 24-hour Alberta Health Services

Addiction Help-Line, toll-free at: 1-866-332-2322

Information and support is completely confidential.



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